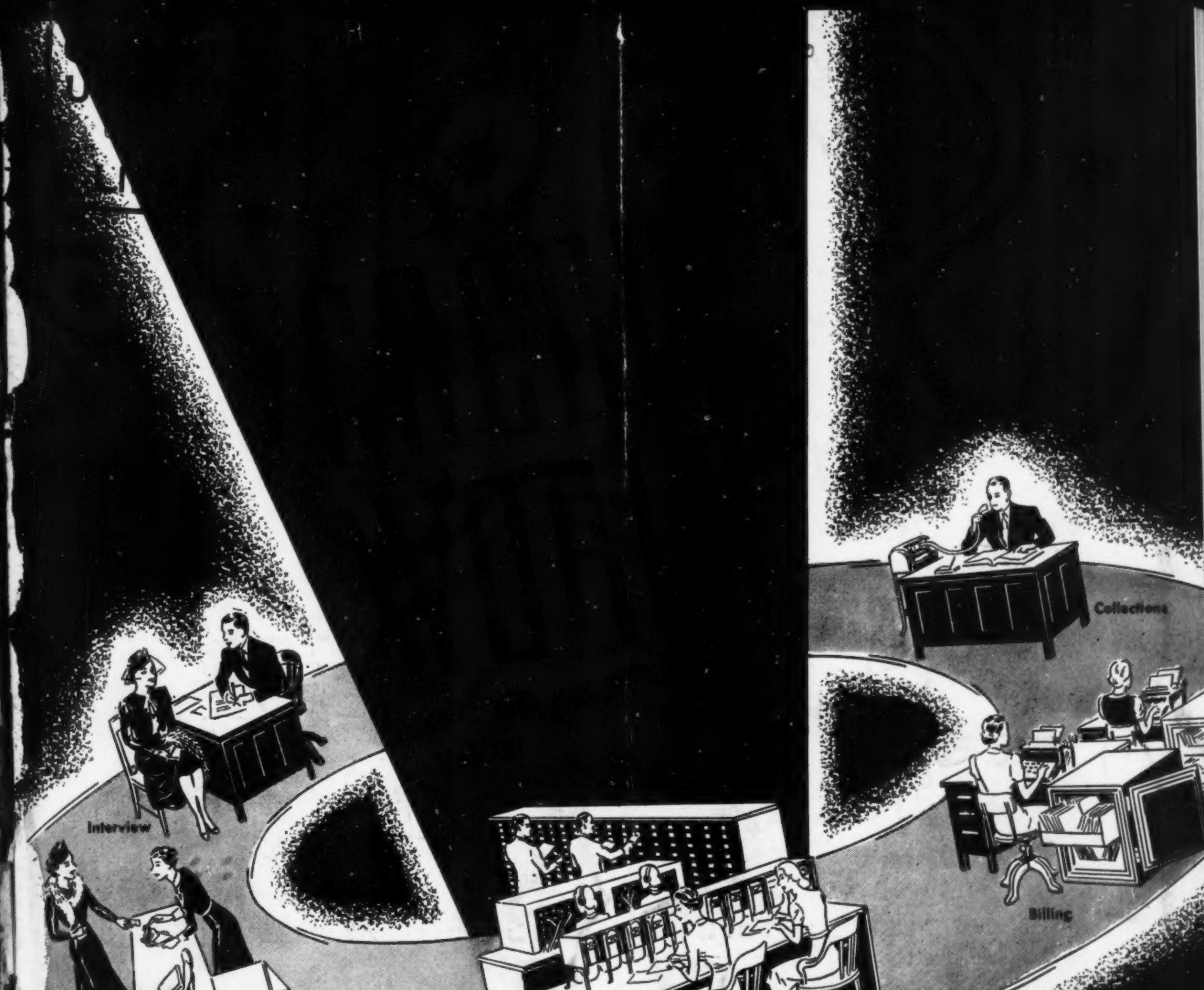

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The Credit World

L. S. CROWDER
Editor

ARTHUR H. HERT
Associate Editor

OFFICIAL PUBLICATION OF THE NATIONAL RETAIL CREDIT ASSOCIATION

CONTENTS

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25 YEARS AGO *in the* CREDIT WORLD

Now that all our charter members have been made life members by action of our New York Convention, we thought you would like to turn back the pages of The CREDIT WORLD 25 years and take a peek inside. To begin with, we are sorry to say that we do not have all the issues for 1916—we have only half of them. All our efforts to secure the other six have failed.

* * *

The publication, during the first 10 years of its history, was somewhat smaller in size—measuring 6¾" by 10"—while today the size is 8½" by 11½". The pages numbered 32, the same as today with few exceptions, such as the convention number in 1916 containing 60 pages. Then too, during that year, each issue was dedicated to a particular city or subject. They were published by E. A. Howell, Secretary, at Denver, Colorado, until the annual convention in Omaha, August 21-23, 1916, at which time A. J. Kruse, Manager, Associated Retailers of St. Louis, was elected Secretary. The CREDIT WORLD was then published in St. Louis until September, 1919.

* * *

The Exchange Bureau Number for January, 1916, contained some excellent articles on exchange bureau relationship with credit men. Some of the authors were C. F. Jackson, E. A. Howell, David Morantz, Frances W. Foulks, Frank J. Mannix, Walter C. Gold, Herbert N. Casson, and Willis V. Sims. In this issue all members were asked to adopt a New Year's Resolution to get at least one new member.

* * *

Minneapolis received the call in April and some of the Minneapolis authors were: Fred B. Atwood, Arthur J. Rotering, Charles J. Nagle, O. J. Thorpe and Milton J. Solon. This issue also contained a short article pertaining to an amendment to the postal laws providing that the receipt for registered letters and packages should show the place where delivered. This law was finally adopted in 1931. Two pages of "addresses wanted" completed this issue.

* * *

Duluth was nominated for the July issue. Authors were A. A. Ames, C. J. Nelson and G. D. McCarthy. "On to Omaha" was the secondary theme. One of the talking points for attendance at this Fourth Annual Convention was, "The new million dollar Hotel Fontenelle will be headquarters."

* * *

The September issue was designated "Convention Number" and contained the full proceedings of the Omaha Convention from start to finish. Of particular interest was that Secretary Howell boasted a membership of 852 and Treasurer Poindexter reported a balance of $263.24 in the treasury.

* * *

This is all the space we have for turning the clock back 25 years. If you like this column, let us know, and it will appear again in an early issue.

A. H. H.

Effect of the War on American Business

DR. ARTHUR B. ADAMS

Dean, College of Business Administration, University of Oklahoma, Norman, Oklahoma

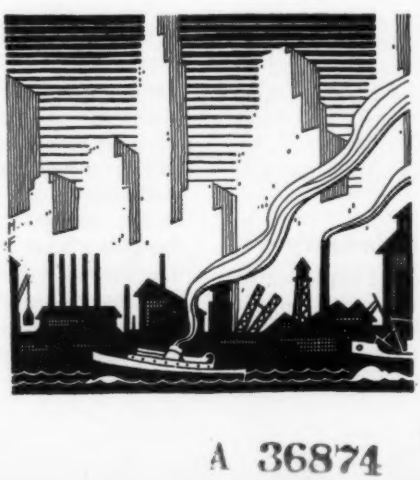
An address delivered at the 1941 Annual Convention of the Oklahoma Retail Merchants Association, Oklahoma City.

No retail merchant in Oklahoma or in the United States would like to see a war boom similar to the one we had in 1915 to 1920. At that time we found that, as a result of the war boom, a good many business firms lost more than they gained as the result of the boom. Always during a war period, and particularly if we participate in the war—and it looks as if we might—there is great danger of having inflational conditions. Of course, every war situation is different from all preceding war situations. This one is different from any that we have ever had.

There are many factors involved in the present situation which will affect the trend of business. Some are favorable to inflation, others unfavorable.

The basic factors which are unfavorable to the development of a war boom will be discussed under four heads. The four unfavorable factors are: First, idle plant capacity in this country; second, the existence of large quantities of surplus investment funds in the hands of private individuals and in our banking institutions; third, the existence of a large surplus supply of agricultural products in this country; and fourth, the slight increase in our foreign trade as a result of this war.

Let us consider briefly each of these factors. We have, or did have when the present war started, an enormous idle capacity of production in our various industries. Such a situation existed in the heavy goods industries, as well as in the special fabrication type of industries. If it had not been for the large surplus of plant capacity in the steel, copper, zinc, and aluminum industries, we would have had a much greater shortage of basic materials for the development of our war industries today than we have. I do not maintain that we will not have a shortage of such basic materials. As a matter of fact, we do have a shortage at this time in aluminum and in steel; but it was the slack that existed in these industries which enabled us to expand steel and aluminum production very rapidly without building new plants.



It was stated by the President of the Guarantee Trust Company in New York last January 16 that we had at that time (January, 1941) larger sums of idle investment funds in the hands of private individuals and non-finance corporations than had ever existed in the history of the country. He estimated the sum of idle funds possessed by individuals and non-banking corporations was in excess of twelve billions of dollars. With that amount of idle money, the country can greatly expand industry without expanding bank credit. That is to say, we could expand actual plant capacity and pay for such expansion with the idle investment funds, rather than borrow the money from banks to pay for it. The nation's internal financial situation is quite different from what it was in 1915, 1916, and 1917. We had few idle investment funds at that time.

Today this country has the largest surplus bank funds that it has ever had in its history. It would now be possible, without exceeding the legal minimum reserves, for member banks and Federal Reserve Banks to expand loans twenty billions of dollars. I am not advocating that we do that; I am simply pointing out the surplus capacity of credit expansion that we have in this country. The fact that we have such enormous surplus private and bank funds will enable us to expand industry and at the same time not unduly strain credit conditions or bring about a great inflation of credit.

Let us now look at the agricultural situation. As you know, we have had a rather acute national agricultural or farm problem since 1921. The agricultural industry has been drugged with surplus products and we still have at the present time rather large surpluses of wheat and cotton, and fairly large surpluses of other grains and tobacco. We are still pursuing the policy of limiting production of most staple agricultural products under our agricultural adjustment law. Because of these surplus products and restricted productions, plus the fact that we are not now trying to feed the whole world as we did during

World War I, we are not likely to have a shortage of agricultural products during this war. It is true that we are shipping quite a great deal of wheat, meat, canned goods, dairy products, and other food products to England or to the British Isles, but we are not shipping large quantities of agricultural products to the European continent. As a matter of fact, the amount of American agricultural products now being purchased by the Old World is less than it was before the present war started.

There was a shortage of agricultural products within less than six months after the European War started in 1914, but such has not been true so far as the New World is concerned in this war. Canada, Argentina, Brazil, Australia, as well as the United States, have large surpluses of agricultural products at the present time—they do not know what to do with them. Therefore, there is no reason why we should have a runaway price situation in reference to agricultural products in this country during the next two years—if the war lasts that long.

Rapid Development of War Industries

We, as a nation, are attempting at the present time to develop our war industries as rapidly as we can. Many people are not pleased with the progress that we are making. In fact, I think that dissatisfaction is justifiable, regardless of the progress that we make, because we are facing a situation where we should rearm this nation as rapidly as possible. Since we are committed to the policy of aiding Great Britain in this war, we certainly should put forth every effort to carry out that policy.

The majority of our people feel that the more effective aid we give to Great Britain, the less effective effort we will have to put forth in man power in order to end this war as we would like it to end. Outside of exporting munitions, we are not experiencing any expansion of foreign trade as a result of this war. It is not likely that we shall experience any substantial expansion of demand for American products—other than the lease-lend shipments we make—during this period. How different it was during World War I, when we sold some twenty-four billions of dollars' worth of goods in excess of the goods we bought. We shall not have that type of foreign trade expansion during this present war.

There are at least four forces now at work which are favorable to the development of boom conditions in this country: First, the terrific speed at which we are expanding war industries; second, the employment of dollar-a-year men in the Office of Production Management in Washington; third, the insistent demand of organized labor for increased wages and better working conditions in the war industries; and, fourth, the desire of many business men to make large profits from the situation created by the war, regardless of the justification of the price increases they make.

Costs Increase With Expansion of Industry

It is inevitable that when there is rapid expansion of any industry, the costs will be greater than under normal speed of development. It is also inevitable that when there is a great shortage of a certain product or a great demand for it, the price of that product will rise somewhat in proportion to the market shortage. We have both those factors involved in the development of our war industries at the present time.

Some of those industries are now called upon to increase production a hundredfold within a short time. It is necessary then for many to build new factories, get new machinery, buy new tools and equipment, and do all of these things as rapidly as possible. Consequently, it was inevitable that there be a shortage of labor for this highly specialized work and a rise in wages. It was also inevitable that there develop a shortage of materials necessary for building and operating the new industries, and that the shortage in the supply of these products result in increases in their prices. Of course, if we have a rise in the prices of steel, copper, and zinc, we also have a rise in prices of peacetime products that are made from those metals. In other words, we cannot confine our price rises to war goods and materials that enter into making war goods, because we use the same materials for both war goods and peacetime goods. Wars always bring some rises in prices of raw materials from which peacetime goods are made. Because of the increases in the prices of raw materials, some rises in the prices of most products are justifiable under present conditions.

Dollar-a-Year Men

I realize that my attitude toward dollar-a-year men is not shared by everybody. I might say by way of parenthesis that I had quite a good deal of experience with dollar-a-year men during World War I. At that time I was Economist for the Federal Trade Commission in Washington, D. C., when we frequently discussed the question of rising prices. Washington dollar-a-year men usually fought for continuous increases in the prices of products in which they were interested, and those who were not dollar-a-year men usually were not in favor of raising the prices as much as the dollar-a-year men demanded. I think it is natural, if not inevitable, that those whose salaries are being paid by private companies in Washington are there to represent the interests of their companies, and usually it is the desire of the companies to raise the prices of the products they sell.

I do not believe that human nature has changed very much since World War I. Without question, the high prices that the Federal government is now paying for many of the war goods that are being purchased to rearm this nation and to send to the British are partly due to the existence of so many dollar-a-year men in Washington.

Let us discuss the other side of the question. It is necessary to get the cooperation of business during a war period. It is necessary for the government to have cooperation if it is going to get war goods made and delivered. The best way to get such cooperation is to have the producing business firms deal with their former presidents and managers representing the government as dollar-a-year men. These men are there primarily to secure complete cooperation of government and private business. They are willing for the government to pay for it, and I do not know of any way whereby the government can get more hearty cooperation from any business firm than to give the firm a good, profitable, juicy contract. Consequently, there are many such contracts awarded.

Same Situation as in World War I

As a matter of fact, President Roosevelt is confronted with a very similar situation to that which confronted President Wilson, and he has reacted to the situation in about the same manner as President Wilson. The employment of dollar-a-year men is one of the forces that has brought about much of the increases in prices we have had. I don't know but what I would have followed the dollar-a-year policy if I had been President of the United States during this emergency, and I know if I were a dollar-a-year man, I would represent my company to some degree. I might say that I believe we have better dollar-a-year men this time than during World War I. They have increased prices less this time than before, and appear to be more public minded.

I believe that we should stop strikes. Labor controversies should be settled before they reach the strike stage. If they cannot be settled by agreements between the employees and the employers they should be settled by government action. If the cost of living goes up, laborers should have increases in wages; if laborers put in extra time, they ought to have extra pay per hour. I do not deny that there have been many just causes for discontent on the part of laborers during this emergency. I do not go so far as to condemn the grievances that labor organizations have submitted to employers for the last year. But I do feel that under the present situation—the great national emergency—all controversies between employers and employees should be settled without the stoppage of any industry, and that if either side refuses to settle the dispute, a settlement should be made by a board of adjustment, arbitration, or whatever you may call it, and that the decision by the board should be binding upon both employers and employees.

Undue Advantage Condemned

I do not condone the attitude of Mr. Murray of the C.I.O., that now is the time for labor to get more wages by taking advantage of the situation of a shortage of labor in the defense industries. I condemn such an attitude. This is not the time for anyone to take advantage of the national emergency situation. Now is no time for the U. S. Steel Corporation, the American Aluminum Company, the General Motors, or any other industrial plant to take advantage of the situation to clean up large profits. We should have a strong sentiment in the United States against war profiteering and we should have a strong sentiment against labor organizations' trying to take advantage of the war situation to get unjustifiably high wages. I can see no justification in drafting a boy into the army and giving him a dollar a day, and then exempting his brother and paying him $14.00 a day to do less work than his soldier brother. The only difference is that one happens to be an employee in defense program and the other is a drafted soldier in the United States Army.

I think we need a lot of public education as to why we should not permit the occurrence of an inflational movement during this emergency. If prices go up, wages must go up! If, then, producers use the wage increase as an excuse for further increasing their prices, a vicious cycle is put in motion and uncontrolled price inflation results. The only way to stop such a vicious inflational cycle is through price-control legislation backed by public opinion.

There is a natural tendency during any crisis for some business men to take advantage of the situation and use it as an excuse for raising their prices and increasing their margins of profit. Why have prices gone up so rapidly in the past few months? The retailers are not as much responsible for the price increases as the manufacturers. The larger manufacturers have led the movement of higher and higher prices; the smaller producers and jobbers have joined in the procession; the retailers have, in most cases, been forced to raise their prices because of higher wholesale prices.

Price Rises in Fields With Surpluses

Today, there is an unwarranted tendency to raise prices in fields where there is actually a surplus of products. The excuse for such price increases is that a shortage in these products might develop if this country actually goes to war. A customer has a perfect right to ask why the seller has raised his prices. All retail merchants should tell their customers the truth about why prices are raised. If the manufacturer, jobber, or wholesaler raises the prices of particular products 15 percent, give that information to customers. If you raise the retail price 20 percent on a product that has increased only 15 percent in the wholesale market, tell the customer the truth, and justify your price if you can.

We should have a strong public sentiment against unjustifiable price rises during this period. In the case of rapid expansion in a particular industry, it has been pointed out already that there is justification in raising the prices of the products of the industry. Insofar as the higher prices of war materials affect the cost of producing peacetime goods, there is justification in raising the prices of peacetime goods. But the customer should be given the facts as to why he is asked to pay more for the products he buys.

So long as the war continues and grows in scope and intensity we probably will experience continued changes in our price structure and will have more upsettings of our wage levels. We might even have an undesirable war boom. In spite of all of the policies the Federal government might adopt to keep us from having such a boom, one may develop if the war goes on long enough. Many people believe that all the government can do under present conditions is to prevent the boom from being too large and getting out of hand. On the other hand, there are few, if any, who would say that the government should do nothing about the present inflational movement. Very few people today actually accept the *laissez-faire*—or let alone—economic philosophy.

Suggested Policies Government Should Adopt

Let us now discuss some of the policies the government should adopt to prevent the occurrence of a destructive boom: First, take the question of financing this war. Of course, you realize that if we finance this war largely through government borrowings, some expansion of bank credit will result. This will be true even if all the money is borrowed from individuals, and none of it is secured directly from the banks. Some of the individuals who purchase new government securities doubtless will borrow from the banks part of the purchase price. This credit inflation will inevitably bring about some inflation of purchasing power and of prices.

(Turn to "Effect of War," page 26.)

Effect of - - Defense Taxation on the Consumer

W. L. GREGORY

Vice-President, The Plaza Bank of St. Louis,
St. Louis, Missouri

This subject is particularly pertinent now because in each war experience we find that war and business become more important to each other. Modern wars cannot be conducted without the full cooperation and support of the business community, and it begins to appear that modern business will soon be unable to exist without the abandonment of war as an instrument of policy. We are disposed to forget that our industrial revolution started about one hundred fifty years ago, and that for thousands of years before that time, the world lived by the sword. Even in its infancy, the industrial machine had a tremendous effect on wars of aggression. Undoubtedly England's money and her trading fleet were primarily responsible for the defeat of the bandit, Napoleon. In the Franco-Prussian war, the industrial output of munitions and war materials was for the first time a deciding factor. As we learn more about the experience of Europe today, it becomes absolutely obvious that the outcome of this war will be almost entirely dependent on industrial organization and output. Modern wars cannot be conducted without the cooperation of business, and from our experience in recent years, we can again make the statement that a continuation of disastrous wars on the scale of World War I and World War II will undoubtedly destroy our capitalistic economy.

How much taxes will we have to pay? The answer depends on how long the war will last.

In studying the effect of war on business, we have been able to determine just what happens within the business cycle as a result of war. As war begins, our economy always drops into a quick depression, which is caused by the necessity for a change-over from peacetime activity to war production. Many of our business men were tricked by this in 1939 because they expected the economy to jump into a wartime boom immediately. The boom phase is the second phase of the business cycle under the influence of war. No war has ever been paid for "as used" up to this point. Nations have resorted to borrowing and to inflation to pay for all wars in the past, and not one has attempted, until the present time, to fight a war on a "pay as you go" basis. Where borrowing and inflation are used to pay for a war, a runaway boom from industrial expansion and general price inflation is the inevitable result. We are now swinging into our wartime boom at a very rapid rate, and this boom promises to be the biggest we have ever seen. It is under the influence of such inflationary booms that we ordinarily make mistakes which are very expensive to business in later years.

A third phase of the business cycle in wartime is what is known as the primary post-war depression. This depression usually comes immediately after hostilities have ceased and represents the effect of sudden stoppage of wartime production. Generally this depression is brief, because the pull of the wartime inflation is still strong and the primary post-war depression ordinarily is overcome by a switch from wartime activity to frantic peacetime production, which attempts to make up to civilian consumers for the things which they have denied themselves during the war. This phase is assisted by the optimistic post-war psychology which is almost always present.

Finally, when the inflation has run its full course and the economy is badly overbalanced, we run into the demoralizing secondary post-war depression, which is the inevitable pay day demanded by the inflation. This secondary post-war depression is not so easy to cure, because we have just come through such an experience. As a matter of statistics, these secondary post-war depressions have become progressively more destructive. If we are to face such an experience at the end of this war, with our economy already badly out of balance by the distortion of the last war and by other factors, then certainly our business organizations must stand a very severe strain.

Preventing Wartime Inflation

Despite the apparent disregard of the great powers for the consequences of war, it can be observed that all of the belligerents are today making a strenuous effort to prevent the evils of wartime inflation. Undoubtedly we can learn something from their experience. Naturally, it isn't necessary for us to follow either the German or

British pattern exactly, but both of them are approaching the problem with an entirely different attitude from that previously followed, and so far as it has gone, it promises much better results. Both Germany and Great Britain are planning carefully to avoid dangerous inflation. Of course all efforts to control business movements involve planning. I am not one of those who believe that Hitler is clairvoyant, and makes absolutely infallible plans. There is very little genius in the Nazi government. However, there is careful, methodical planning. The nations of Europe are finding that if they fail to plan realistically against Hitler's somewhat simple designs, they are completely lost. Certainly we ought not to go down to defeat because we are unable to plan as well.

Three methods for the control of inflation will almost certainly be used in the present emergency. The first method has been tried out at some length since the establishment of the Federal Reserve System, and more especially during the last eight years. I am referring to governmental control over money and credit, largely exercised by the Federal Reserve Board. We are just now seeing a splendid spirit of cooperation between the governmental authorities and business representatives on this subject. Mr. Eccles, Chairman of the Board of Governors of the Federal Reserve System, has settled on a plan for wartime control of money and credit, which plan was unanimously approved by the Board of Governors of the Federal Reserve System and by the Presidents of the various Federal Reserve banks. It was then submitted to the Federal Advisory Committee, made up of commercial bankers from the entire nation. The Federal Advisory Committee has agreed with little that the Federal Reserve Board has had to say in recent years, but on this occasion the committee approved the Board's recommendations unanimously. These recommendations as outlined in the press have received the approval of a large group of economists and business men throughout the nation, including even Mr. Kemmerer of Princeton, who characteristically injects in one amendment the suggestion that we go back to the gold standard. Congress has not acted on this recommendation for monetary and credit control, but in view of the support that it has received from both business and government, the program should be adopted almost exactly as suggested, and I believe the Federal Reserve will do a good job in this field for the present war emergency.

Price Control

The second method for preventing price inflation is involved in the direct wartime price controls which have been placed under the supervision of Mr. Leon Henderson. Most of us have heard something of the methods to be followed here. Public psychology will be directed toward the correction of unreasonable price increases, priorities will be used, efforts to increase supply will be made, and in every way possible Mr. Henderson and his co-workers will attempt to keep prices on an even keel. If everything else fails, arbitrary pegging of prices will undoubtedly be resorted to. In spite of the rather strenuous method employed, this particular means of controlling prices will never be effective without proper use of the other two control methods.

Our third method of price control is one that has been used very little in the past, but is now strongly recommended by economists and students on all sides. This third method consists in the use of the taxing power to prevent unreasonable price increases. It might be well for us to note in passing that taxes are now used for three other purposes, first to obtain revenue, second to redistribute income from the rich to the poor, and third, to absorb the excess savings of the community which are not needed for normal plant development. There may be some question in your mind about the wisdom of the second and third uses of the taxing power. Nevertheless, these uses of taxing power are being made in every major nation in the world at this time, so we can hardly expect to be an exception. A fourth purpose, at the present time the important one, is the use of the power to tax as a control over wartime inflation.

Taxation—One Method of Inflation Control

I think that you will agree that a carefully planned tax system will be an economically sound method for the control of inflation, and that coupled with the other two methods of control, we ought to be able to avoid some of the worst readjustments that usually follow a great war. It is significant that all of the other nations of the world are attempting to use taxes for inflation control at this time.

I am not sure that all of our business people are thoroughly familiar with the way that taxes can be used to prevent excessive inflation and consequent post-war deflation. A brief discussion of the method might be desirable. Naturally the first questions that are asked are, "What kind of taxes?" and "How much will we have to pay?" The best of the tax plans offered insist that in the early stages of the program all taxes that are levied must be progressive taxes, and not regressive taxes. By that we mean that the principle to be followed is taxation with regard for ability to pay. Progressive income and surtaxes, excess profits taxes, undistributed profits taxes, and similar instruments are included under the head of progressive taxes, while consumer taxes such as sales taxes are called regressive taxes. It is noted that regressive taxes tend to have a bad effect on general business, since they curtail the consumption of commodities to a greater extent than is true of progressive taxes.

There can be no doubt but that our tax system of the next few years will be broadened considerably at the base. There will be many reforms and simplifications of tax procedure designed to do away with exemptions and with evasions. If we are to judge by the experience of other warring nations, the rates will be much higher and subject to an almost constant increase. You have seen newspaper comment where the suggested base income tax rates have been stepped up progressively from 4 to 6 to 8 and finally to 16½ per cent. I think we can be certain that the heaviest rate increases of our progressive taxes will be levied on the middle income brackets. Recent statistical studies have indicated that the 30 per cent of our families which receive less than $750.00 per annum, and the 1½ per cent of our families which receive over $7500.00 per annum, have paid much more than their share of the taxes. Consequently, we can expect that the new taxes will be aimed at the 68½ per cent of our population that now receives between

$750.00 and $7500.00 per year per family. Undoubtedly, this group will be subjected to much heavier taxation in the near future.

Increased Income vs. Increased Taxes

Most of us will agree that heavy taxation designed to pay as much as possible of the war expense is good business. Since the government pays tremendous sums into the income of the nation for the purchase of war materials, it is natural that the gross income of the people will increase rapidly. Economists are talking about a hundred-billion-dollar-a-year income for the very near future. Out of such an income, we can pay a large amount of taxes if they are distributed in accordance with ability to pay; in other words, in accordance with income received. It will be much easier to pay these taxes with a hundred-billion-dollar-a-year income, than it would be to pay a staggering debt out of the meager income of a post-war depression. One of the things to be accomplished by such a program is the definite modification of that post-war depression which in the past has been largely the result of alternate inflation and deflation. At this point, it is well to mention one other thing. As the government pays greatly increased amounts into the income stream for war goods, it does increase the income. That increased income in turn provides the government with a greater source of taxation, but we must observe that there is a lag of something like eighteen months from the time that the government pays the money into the business stream until taxes are assessed and finally collected. This lag must, of course, be covered by borrowing, regardless of the tax plan finally adopted.

In the November Issue

"Old Drivers In New Economic Vehicles," by Delbert M. Draper, Attorney, Salt Lake City

"Customer Reaction to Credit and Collection Procedure," by D. W. Pearce, Kent State University, Kent, Ohio

"It Pays to Grant Credit in This Dairy," by Mason B. Koontz, Flynn Dairy Co., Des Moines

"Charge Account Promotion," by C. D. Hill, M. M. Cohn Co., Little Rock

"One Way or Round Trip Selling," by H. L. Bunker, H. C. Capwell Co., Oakland

None of the plans now suggested for taxation contemplate collection of the full war bill in any year until a condition of "full employment" has been reached. By full employment, we mean that illusive thing which is ordinarily referred to as a normal or balanced condition in industry. Such a point should be reached when all of our productive facilities, especially all employable labor, are fully at work. Naturally there will always be some among us who are designated as unemployed, but our economy cannot be considered operating at a normal level until all of those who are fit to be absorbed in regular employment have found jobs. Until such a point is reached, there will be no attempt to balance the budget fully and, of course, it is just possible that Congress may not have the courage to assess sufficient taxes for a complete coverage, even after we reach full employment. It should, however, be the duty of every business man in the country to insist that the full cost of war be borne after that point of full employment is reached. Any other procedure will be extremely dangerous for the entire economy.

Full Employment for Skilled and Unskilled Workers

We are so accustomed to the notion that the unemployed are always with us that we may not realize how closely we are approaching the position of full employment now. Recently I heard Dean Wm. H. Stead, of Washington University, who is an outstanding authority on this subject, say that practically all of our skilled labor was now fully employed, and that it would be but a matter of a few short months before the bulk of our unskilled labor had been employed. Incidentally, Dean Stead has done much to bring about full employment of this great mass of unskilled labor through the diffusion of information about occupational counseling techniques, and through the organization of adequate training programs and employment services under government direction.

Now at the point of full employment, the plans proposed require that taxes be applied to fully cover expenses. Maximum rates should be imposed on the progressive taxes then existing, and many new taxes of the consumer type should be introduced as needed to control consumption and prices. The effect of the consumer taxes is to reduce the amount of money available for purchasing civilian merchandise and thereby to prevent competitive bidding up of prices. We are already familiar with such sales taxes as the gasoline taxes, taxes on tobacco, etc. These can be expanded to cover all luxuries and gradually, as necessary, to cover necessities. Not so long ago, Dean Ebersole of the Harvard School of Business Administration made an interesting prediction that license taxes would be used for this purpose. He meant that it might become necessary to obtain a license before you were permitted to buy an automobile, a radio, or any other large consumer's item. The license might cost as much as the article itself in an extreme case, and it might even be arranged that licenses would be issued only to those who could show real need for the article to be purchased. Naturally such consumer taxes would produce revenue but their principal effect would be to prevent runaway price increases in the consumer goods field, and to actually stifle the consumption of civilian goods so that the raw materials could be used for the manufacture of war goods. This is the second phase of the program, and would be continued at least until the end of the war. The program will be effective to the degree that the taxes are made to cover the complete cost of government, both for ordinary and war expenses.

Post-War Adjustments

Business men can readily see how such a program as this would help to prevent inflation. No huge government debt would be created during the war which, as you know, is of itself a direct tax on wealth. We have now learned that it is impossible for a nation to pass on its

internal debt to the next generation. Our children do not pay the debts that we incur. Those debts are paid by an actual confiscation of wealth just as soon as the government bonds are issued. These bonds immediately become a claim on all existing real wealth. Furthermore, the usual scramble for raw materials and property rights which we find toward the end of and after a big war would be automatically stopped under this program, by the lack of purchasing power. If then, by this method, the dangerous price increases which have always been present during previous wars can be avoided, there will be no necessity for the crippling adjustments that have had to take place in post-war depressions. I am not implying that all post-war problems would be solved. It would still be necessary to make a successful switch from wartime production to peacetime production, but the presence of crazy spending and a distorted price structure would be avoided, and proper adjustments, after the war, would be made possible. With the war bill paid, or nearly so, our economy would certainly be in the best possible condition to meet the shock of post-war adjustments, which in the present case will undoubtedly be great.

In the past, practically all of us have thought in terms of production and have thought little about the effect of this war production on our consumer habits. Because modern war does make such demands on a nation for goods as well as men it might be well to consider the effect on our civilian population. It will be true with us, as it has been true in Germany, England, and other countries, that we will have to give up many of our luxuries, and some of our necessities, if we want to build weapons on a scale that will be sufficiently great to meet the totalitarian competition. *This war in particular is purely a production race.* No matter how great its plant facilities, with a given labor power a nation can produce only a certain amount of merchandise.

To Win We Must Set the Pace of Production

In this struggle for production, the amount of merchandise that we will produce must be gauged by the activities of the enemy. In order to win we must outproduce Germany. She will definitely set the pace. Germany has the greatest industrial machine in Europe; no doubt the second greatest in the world. To that she has added the productive plant of all other conquered European nations which in possibilities far outranks our own plant. Her plant is now manned by three hundred million slaves, working as slaves do for bare subsistence. To meet that competition, we have a nation of only one hundred thirty million people accustomed to the highest standard of living in the world. Of course we can do a better job, man for man, but it becomes obvious that we do have a heavy handicap. *Nevertheless, we have got to win the production argument, for failure plainly means the addition of one hundred thirty million more slaves to the German war machine.*

Our people must give up more and more goods as this war proceeds. The government has already asked the automobile industry to curtail production by 20 per cent in the current year. This must be followed, perhaps rapidly, by further curtailment in this field and in most other luxuries. If the war lasts long enough, curtailment in civilian consumption of necessities may be essential. It should be perfectly obvious to us that the longer the war lasts, the more actual comfort we must give up. The sooner we get into the war on an "all out" effort, the less the financial cost and sacrifice will be. Every succeeding defeat suffered by Great Britain takes something in tangible goods away from the American public, and a final collapse of the British Empire would leave us in a position where a very great sacrifice would be the least we could expect. The facts cannot be avoided.

Curtailing Consumption of Necessities

Of course, if the full tax plan is completely adopted, the mechanics of curtailing the consumption will be through the collection of taxes, rather than through the direct prohibition against the manufacture of civilian goods. Taxes will become so high that it will be impossible for people to purchase the things they have been accustomed to buying. This reserves to the individual the selection of those goods which he will finally buy and is, of course, the most democratic method. It is also the most reasonable plan from other points of view. We hear much of such plans as that suggested by Mr. Keynes of England for compulsory saving by salary deduction. Naturally great effort will be made to encourage voluntary saving on the part of American individuals, and our Defense Savings bond program is the beginning of that effort, but of course individual savings collected in this way can only scratch the surface. Heavy taxes or compulsory savings will be necessary to collect the money needed.

With the time and extent of our participation still undetermined, it will be impossible to answer the most interesting questions of all, "How far will these taxes go? How much taxes must we ultimately pay in actual money?" Quite naturally, the answer depends on how long the war will last. Progressive increases in taxation must continue as the war goes on. If the war becomes a long-drawn-out battle, then our sacrifice in dollars during those later years will be great. An exhaustive all-out production race with the whole continent of Europe would mean very little left for the ultimate consumer in America.

Estimating Defense Expenditures

Nobody has dared to make a guess more than two or three years in the future. The most conservative of those guesses place defense expenditures in the neighborhood of thirty-five billions of dollars. Actually expenditures are moving ahead at a rate in excess of these early estimates, and when we add the regular cost of Federal and local government to the defense bill, we are faced with the possibility that three or four years from now our tax burden may come close to half of our national income. If our national income is then one hundred billion dollars, as it probably will be, we may be paying a tax bill of fifty billion dollars per annum. In view of the sharp revisions that have taken place in the judgment of other nations that have gone into this war, I am being unnecessarily pessimistic. Germany is now taking 72 per cent of the income of her people, or 29 billions of the 40 billion dollars of income. She seems prepared to go further in her own country, and certainly she will not permit the enslaved nations that she has conquered to do less. In the United Kingdom, the current year's outlay is at least 60 per cent of the total income; 16½

(Turn to "Taxation," page 30.)

Credit Department Letters

Aline E. Hower

Are you considering having a Letter Writing Clinic under the sponsorship of your Bureau or Association? There have been a number of inquiries, and I am glad to submit information about the way in which Letter Writing Clinics have so far been conducted successfully by a number of Associations including: Battle Creek, Kansas City, Denver, Fort Worth, Birmingham, New Orleans, Tulsa, Little Rock, and others.

There are two main things to do in order to have a Letter Writing Clinic: Arrange a meeting place and send out announcements to the membership and prospective membership.

A Letter Writing Clinic is a series of lively meetings—consecutive evenings after working hours. Formerly, the series usually consisted of five one-hour sessions held Monday through Friday. The sessions start about 6:30 or 7:30 in the evening. In more recent months, the Bureaus and Associations have preferred three two-hour sessions to replace the five one-hour sessions. In that way the number of nights is decreased but each session is longer. Either method of approach has proved successful, and the attendance has usually averaged around 95 per cent.

In order to have a successful Clinic, there should be a reasonably good attendance. For this reason, and also in order to make the Clinics practical, a guaranteed enrollment of 50 is required. In many cases, this enrollment has been greatly exceeded. Occasionally it takes a little work beforehand disseminating information about the lectures in order to get as many enrollments as there should be.

So far, the individual enrollment has been $5.00 a person. If any Bureau or Association prefers, this individual enrollment could be decreased provided the number of enrollments is increased pro rata. For instance, in order to make up for 50 enrollments at $5.00 each, if the cost of the individual enrollment were cut in half, the number of enrollments would be doubled, 100 enrollments at $2.50 each.

There seems to be a growing country-wide interest in better letters. In every field of endeavor firms are becoming more "public relations" conscious, and they are arranging letter improvement programs for their staff of correspondents and stenographers.

Comparatively speaking, the Letter Writing Clinic forms a quick, stimulating, and inexpensive means of getting at this subject. I say that it is stimulating because those who attend are usually the finer letter writers in each community, those who are particularly letter-writing conscious. Executives, heads of departments, correspondents, assistants in credit, adjustment, mail order, and other departments, the more capable secretaries, and others make up the group. Following each session, time is arranged for a question and answer period to which those who enroll are invited to bring examples of their current outgoing letters for constructive comment.

This Month's Illustrations

Illustration No. 1 is an excellent example of one of the most effective letters that any store can write to its customers. Again and again, I have been informed by the treasurers and credit managers of very fine organizations that the expression of thankfulness for the customer's business is one of the most business-stimulating types of letters, the best kind of sales promotion.

Mr. Louis Selig, Treasurer of Rosenfield's, Baton Rouge, has had noteworthy success in taking advantage of these seasonal appeals. Therefore his letter is of particular interest. A letter which builds good will such a short time before Christmas is bound to add to the sales volume of the holiday season, as well as to the likelihood of cooperation on the part of customers with the credit department.

Illustration No. 2, written by Mr. R. B. Remagen, Credit Manager, The B. R. Baker Co. of Cleveland, is a delightful example of a personal reference effectively woven in. Notice the interesting opening, the reference to Mr. Armstrong, the commendation implied in enclosing a credit card. Here is a letter which wraps up in comparatively few words many friendly and forceful ideas.

Illustration No. 3 is another delightful letter. It was written by Mr. N. E. Fallot, H. P. Selman & Co., Louisville. Notice the opening! It could not help but please. The second paragraph is inviting, tactfully phrased, and has a very decided sales flavor. The closing is a strong urge for good will. This letter omits a reference to the terms, and sometimes I think that is a point which should be considered in a welcoming letter. There are times when no doubt a reference to the terms is necessary and helpful.

Illustration No. 4 is another splendid example from Louisville, The Stewart Dry Goods Co. This well-phrased card gains through the fact that it is impersonal. The credit procedure of this splendid store, which is looked upon as a leader in Kentucky and adjacent states, is very fine. Any part of the forms and notices they use should be well worth careful study.

Illustration No. 5 carries one of the strongest appeals in collection work, a reference to the fact that the account influences the credit standing of the customer. This letter is a particularly tactful way of handling the situation. Other examples that I have seen sometimes come right out and threaten to report the customer as slow pay. This letter takes a positive attitude and very neatly gives the same idea but in a much more pleasing, good-will-building way. Advantage is also taken of the seasonal appeal idea. Mr. C. Ivan Large, Credit Sales Director of The Cussins & Fearn Co., Columbus, deserves to be complimented for this fine example.

ROSENFIELD'S
Baton Rouge's Best Department Store

Just before
Thanksgiving

1

Miss Laura Riggs
3265 University
Baton Rouge, Louisiana

Dear Miss Riggs:

THANKSGIVING is an opportune time for taking inventory and on this day we give thanks .. thanks for the friendships and blessings that have come to us since last Thanksgiving.

And as you have played a part in our picture of progress, we want you to know just how thankful we are for your business friendship.

Like the first settlers of our great country, who gathered around the festive board in pleasant relationship to celebrate a day of Thanksgiving ..... likewise do we celebrate the day in thankfulness for the pleasant relationships with our many customers, one of whom is YOU.

Thanksgiving-ly yours,

ROSENFIELDS
L. Selm
Treasurer

LS:g

H. P. Selman & Co.
INCORPORATED
The APPAREL SHOP of LOUISVILLE
Louisville, Ky.

PARIS NEW YORK

OFFICE OF
N. E. FALLOT

3

August 6, 1941

Dear Mr. Hutchinson:

Personally, I am much pleased to note that you have opened an account with us and want to take this occasion to thank you for this apparent expression of confidence.

You will find here at all times, moderately priced merchandise of highest quality in the very latest styles, and a courteous staff to help make your shopping a pleasure.

It is our earnest endeavor to always please our patrons, and with the opening of your account we look forward to many pleasant business relations.

Yours very truly,
N. E. Fallot

Mr. L. H. Hutchinson
2806 Bayard Avenue
Lexington, Kentucky

2

THE · B · R · BAKER

EUCLID · AT · NINTH
CLEVELAND OHIO

April 21, 1941

Mr. James F. Lanning
12231 Clifton Blvd.
Lakewood, Ohio

Dear Mr. Lanning:

Don't you think it is possible that we could interest you in the B. R. Baker Company. Especially if we arranged a charge account for you and your family. Well, frankly, that is what we hope to achieve, partly because a mutual friend, Ray Armstrong, suggested that we were losing a good bet in not arranging for you to shop at Baker's.

A card is enclosed which we are pleased to extend to you and which will offer complete identification and other B. R. Baker Company privileges. We invite you to use it, this week if you care to.

Cordially yours,

THE B. R. BAKER COMPANY
Robert H. Remagen
R. B. Remagen
Credit Manager

RBR/er
encl-

4

An Inquiry

WE ARE ENCLOSING A MEMORANDUM OF SOME RECENT PURCHASES MADE BY YOU, WHICH WE UNDERSTAND YOU WANTED CHARGED.

AS WE DO NOT FIND AN ACCOUNT UNDER THIS EXACT NAME AND ADDRESS, THERE MAY BE SOME MISTAKE ON OUR PART. IF SO, WE WOULD APPRECIATE YOUR ASSISTANCE IN MAKING A CORRECTION.

YOURS VERY TRULY,
The Stewart Dry Goods Co.

CUSSINS & FEARN Co.
110 NORTH HIGH STREET
COLUMBUS, OHIO

5

September 1, 1941

Mr. M. R. Weston
Condit, Ohio

Dear Mr. Weston:

You, like millions of others, are probably looking forward to using your credit when you do your Christmas buying.

The first step in maintaining a good credit record is to pay each account when it is due. The files of the Credit Bureau contain the credit record of every one who has used his credit. Every merchant who is a member of the Credit Bureau has access to these records.

Since credit is extended on the promptness with which one pays his accounts, we wish to call to your attention the amount we are now carrying past due on our books for you.

The amount is $109.69. Payment of this amount will enable us to report your account to the Credit Bureau as having been paid to date. Your immediate attention to this will pay you dividends when applying for credit with other merchants.

Very truly yours,

Credit Sales Director

Lo

CREDIT FLASHES

New Officers of Detroit Credit Association

The Officers and Directors of the Retail Credit Association of Detroit for 1941-42 elected at the September meeting are: President, Harold Morse, Crowley, Milner & Co.; First Vice-President, R. J. O'Tool, Eastman Kodak Co.; Second Vice-President, M. L. Hamacher, Michigan Consolidated Gas Co.; and Secretary-Treasurer, F. E. Parker, Merchants Credit Bureau. Directors: Albert A. Beste, Koenig Coal & Supply Co.; H. G. Godfrey, J. L. Hudson Co.; Roy Angers, Hughes & Hatcher; John T. Rose, Crowley, Milner & Co.; James Regan, Himelhoch Bros.; W. D. Brewer, City Finance Co.; L. A. Rice, Kline's; Frank Osborne, Harpur, Inc.; Dorothy Nau, Lane Bryant; Thomas Black, Rayl Hardware and Sport Store; and Harold Doyle, Fuel Oil Corp.

Arkansas Credit Association Meets

The seventeenth annual convention of the Arkansas Credit Association was held in conjunction with the Associated Credit Bureaus of Arkansas and the Arkansas Credit Women's Breakfast Clubs, at Rogers, Arkansas, September 7-9, 1941. Newly elected officers and directors of the Credit Association are: President, R. Y. McKinney, J. F. Sample Co., El Dorado; Vice-President, Banks T. Boyd, Arkansas Power and Light Co., Pine Bluff; and Secretary-Treasurer, J. R. Johnson, Johnson-Pattison Tire Co., Little Rock. Directors: W. E. Coker, Little Rock; A. R. Dowell, El Dorado; W. M. Hale, Pine Bluff; L. B. Wilson, Camden; Hugh Seelbinder, Fort Smith; and J. E. Purdom, Fort Smith.

J. E. Birnie Named Convention Chairman

Richard H. Stout, President, Morris Plan Bankers Association, announced that Joseph E. Birnie, President of The Morris Plan Bank of Georgia, has been named General Chairman for the 22nd Annual Convention of that Association to be held at Sea Island, Ga., November 3-5, 1941. Mr. Birnie was for some years the Association's Executive Secretary.

B. R. Michael New President of Gerber's

Benjamin R. Michael, formerly with Halle Bros. Co., and Linder Coy, both of Cleveland, was elected President and General Manager of John Gerber Co., Memphis, succeeding the late George Lawo. He was formerly with B. Altman Co., New York. Other officers elected were P. A. McPhillips, Vice-President, and John L. Glanker, former Assistant Secretary, who became Secretary-Treasurer.

Leon Michaels

Leon Michaels, 69, Vice-President of the Harris Stores Co., Pittsburgh, until his retirement several years ago, died at his home in Los Angeles, August 7. He was a Past-President of the Retail Credit Association of Pittsburgh and Treasurer of the Credit Bureau. He is survived by his wife, daughter, two sisters and a brother. Burial was in Minneapolis.

A. J. Worsdell Promoted

A. J. Worsdell, Jr., formerly Manager of the Adjustment Bureau of the Credit Bureau of Greater New York, Inc., New York City, has been appointed assistant to A. B. Buckeridge, Executive Manager. James B. Van Vleck, Jr., Treasurer of the Professional Service Credit Assn., Inc., New York City, succeeds Mr. Worsdell as Manager of the Adjustment Bureau.

250,000 Charge Accounts

The Sunday Magazine Section of the *Arkansas Gazette,* Little Rock, Arkansas, recently featured a two-page article titled "250,000 Charge Accounts" which in a favorable and dignified manner publicized the Little Rock Retail Credit Association and Credit Bureau. The article described the operations of the Credit Department and its connection with the Credit Bureau. Illustrations of a sample credit report, a portion of the Bureau office, and Max Lichtenstadter, Credit Manager of The Kempner & Bros., Inc., interviewing a credit applicant, helped the reader to visualize the magic behind "Charge It, Please." Wm. R. Arendt, Manager of the Credit Bureau, explained how the Bureau operates and its relationship with other Credit Bureaus in the United States and foreign countries.

Wanted

Volume I (1912) through Volume VI (1918) of The CREDIT WORLD, to complete files in National Office.

F. A. Terrell in New Position

F. A. Terrell, Assistant Credit Manager, Alabama Power Co., Mobile, has been appointed Credit Manager, Sears Roebuck & Co., of the same city.

Correction

The following paragraph was omitted from Resolution No. 2, which appeared in the July CREDIT WORLD:

AND BE IT FURTHER RESOLVED, That Committees be created in local associations for the purpose of bringing to the attention of Bar Associations and others interested, the advantages offered by Chapter XIII to temporarily embarrassed debtors as a means of paying their obligations, and that such Committees report from time to time to the several districts of this Association the results of their work.

Retail Credit - - 1939

Retail sales on credit constituted 34.2 per cent of total sales in retail stores in 1939, compared with 34.3 per cent in 1929 and 32.2 per cent in 1935, it was announced by Bureau of the Census, in releasing a synopsis of a special retail census report on credit.

Cash sales in all-cash stores totaled 35.5 per cent of all retail sales, or nearly 15 billion dollars, while the number of cash stores exceeded 51 per cent. Cash sales in credit-granting stores were 47 per cent of their total sales, or 30.3 per cent of all retail sales, raising the total of cash sales in all stores to 65.8 per cent. The corresponding proportion shown by the Retail Census for 1929 was 65.7 per cent. The 1935 ratio was 67.8 per cent, and for the depression year 1933 it was 72.3 per cent.

COMPARISON WITH PREVIOUS YEARS

Year	Total sales (millions)	CREDIT SALES		CASH SALES	
		(millions)	Per cent	(millions)	Per cent
1939	$42,042	$14,372	34.2	$27,670	65.8
1935	33,011	10,640	32.2	22,371	67.8
1933	25,037	6,944	27.7	18,093	72.3
1929	49,115	16,790	34.3	32,325	65.7

These ratios when applied to total sales in 1939 of $42,041,790,000 indicate the following approximate totals:

PROPORTION OF CASH AND CREDIT SALES

	Sales (add 000)
Total retail sales, 1939	$42,041,790
Credit sales (34.2 percent)	14,372,000
Cash sales in credit stores (30.3 percent)	12,745,000
Cash sales in cash stores (35.5 percent)	14,924,790
Total number of stores in 1939	1,770,355
Credit-granting stores (48.9 percent)	865,700
All-Cash stores (51.1 percent)	904,655

The amounts above are partly projected totals. The Census Bureau is unable to report exact totals, since about 9 per cent of the stores reporting to the Census were unable to give an analysis of their sales. The 90.9 per cent of stores on whose reports the ratios are based accounted for 93.7 per cent of total sales. The remainder is estimated on the same proportions as were reported by the stores able to analyze their sales.

The ratios of open-account and installment sales shown by the credit stores reporting a breakdown of their credit sales indicate that installment sales represent one-third of total credit sales, which is a slightly smaller proportion of installment credit than in 1929.

COMPARISON WITH PREVIOUS YEARS

Year	Total sales (millions)	Credit sales (millions)	PERCENT OF TOTAL SALES		
			All credit sales	Open-account credit	Installment credit
1939	$42,042	$14,372	34.2	22.8	11.4
1935	33,011	10 640	32.2	21.3	10.9
1929	49,115	16,790	34.3	21.3	13.0

Credit stores numbering 786,755 reported accounts receivable at the end of 1939 of $3,277,686,000 or 24.4 per cent of their total credit sales for the year. The same ratio applied to stores not reporting indicates total receivables on the books of all retailers of $3,506,700,000. Receivables include open accounts and retail installment notes, but not installment notes held by sales finance companies and banks.

The Bureau is unable to state the amount of installment notes included in the approximately 3½ billion dollars of total accounts receivable on retailers' books, since only 63 per cent of the stores reporting installment sales also reported installment receivables. Available evidence indicates that half or more than the 28,112 missing from this additional analysis are motor car dealers and others who customarily finance their installment sales through finance companies, and thus hold no such notes on their books.

The report now in process of printing was prepared by the Business Census division of the Census Bureau, under the supervision of Fred A. Gosnell, Chief Statistician, from data gathered in 1940 by a complete field canvass of all retailers in the United States.

Keeping  in Step With Changing Conditions

FRANCIS AMSLER

Credit Manager, E. M. Scarbrough & Sons, Austin, Texas

Some of the greatest changes which history records have taken place in our generation. The development of the radio has changed the isolation of remote corners of the world, to readily accessible places with which we can communicate in the flicker of an eyelash. The development of the automobile has changed even the most humble family from a provincial group whose knowledge of our country was the result of hearsay and the study of geography books, to an eager band whose travels may well extend from the redwood forests of California to the swanky boardwalk at Miami. The development of the airplane has changed the distance from Fort Worth to New York, from a weary journey of days and weeks to an overnight jaunt in the comfortable berth of a Transcontinental Airliner.

In our generation, we have seen retail credit change from a service restricted to the landed few, to a convenience made available to millions. This change in retail credit has taken place with the aid of ever-increasing planning for its scientific extension. We have seen the development of more and more efficient exchange of credit information through organized credit bureaus. This has made possible the intelligent expansion of the business giant we know as credit.

The intelligent extension of credit has played its part in making our country great. It has helped to bring about a wider distribution of goods (the development of the radio and the automobile was greatly accelerated by making these available to greater numbers of people through their use of credit). In bringing about this wider distribution of goods, it not only added to the pleasure of living of those who bought, but it created new industries and *more* new industries, and furnished employment to millions.

Let us go back, for just a minute, to the horse and buggy days. What was the place of the credit manager in business at that time? You were lucky indeed if you could find his place! From a physical standpoint, it was located in the most remote section of the establishment. His office was dimly lighted, dingy, and most uninviting. If you wanted credit, you could, by holding your breath, squeeze in between the packing boxes piled high on all sides, and edge your way up to a counter just about neck high. By making enough noise, you could get the attention of the bookkeeper (that is what we were in the good old days). He would climb down off his high stool, with his green eyeshade and black satin cuff protectors (slightly worn) and with a dark scowl on his face, ask you what you wanted.

His manner seemed to say, after he was told you wanted credit, that it would be very, very difficult to arrange! Ill concealed was his displeasure at being interrupted in the much more important task of counting the previous day's cash receipts. To make a long story short, if you were a land owner (with property subject to execution in case you didn't pay), you would probably get a line of credit until the crops were harvested. If you were just a salaried man, you probably got a hard look from head to foot (that seemed to convey the idea that you must be very shiftless to be in need of credit) and that would be all, except a mumbled "Nothing doing."

Importance of Credit Manager Today

We are all familiar with the present importance of the credit department and the credit manager, in the retail store today. Our offices are located with an eye to customer convenience, and arranged with great care, to provide customer comfort.

The credit manager of today no longer has to sit on a high stool; most of us have comfortable swivel chairs. When we see a customer approaching, we no longer grudgingly turn away from our work with a scowl to greet the customer, we meet him with a smile and a man-

ner that leaves no doubt in his mind that we are glad to see him, and eager to be of service.

It is still our job to extend credit only when we have reason to believe the transaction will prove profitable, but with the aid of our efficient credit bureaus, it is a simple matter to secure the information on which to intelligently base the extension of that credit.

As credit managers, we are the guardians not only of that asset known as "Accounts Receivable," but also that most precious asset "Good Will." The protection of both these assets is ever in our minds. The credit manager who is well and favorably known in his community is the closest thing his store possesses to a Good Will Ambassador.

A Tribute to Credit Management

From our horse and buggy days, to the present time, what record has the credit manager written? Has he been successful in changing with the times? Pause a moment and consider the years following the great depression which started with the stock market crash of 1929. During the three or four years following the market crash, the value of real estate, corporation stocks and bonds, everything which had been considered of highest investment rating, shrank almost beyond belief.

What major asset depreciated less, in proportion to its value, than any other? You know the answer—accounts receivable! Would you have me believe this was an accident? Wasn't it rather, a tribute to the judgment and management of those in charge of accounts receivable—the credit managers? Throughout those years, we continued to extend credit, and we succeeded in changing with the times to such an extent that our losses, in the final analysis, were surprisingly small!

Acceptance of New Forms of Credit

Many new forms of credit have been developed in the past ten years. Some of them have been the subject of bitter debate, and there has been much speculation as to the wisdom of some of these new forms of credit. Even in the ranks of the credit managers, there are some extremists. Perhaps some of these new forms of credit were carried too far. The great majority of credit men, however, cautiously, step by step, have accepted those new forms of credit as they proved practical and profitable, and changing with the times, have succeeded in achieving what most capable observers consider satisfactory results.

Through these years of constantly changing conditions, the credit fraternity recognized the necessity for more and more information, more and more education in its own field. Our leaders have wisely shown the way, and have painstakingly prepared for us the means of acquiring more knowledge about our jobs.

It would be hard to overestimate the contribution made by our National Retail Credit Association to this wider and ever more diversified dissemination of information concerning credit principles and practices. Their sponsorship of credit schools, and the importance of these schools, needs no elaboration here.

These are but a few examples of what the credit fraternity has done to keep in step with changing conditions. Because we have been alert, because we have been willing to work constantly toward improving our knowledge of credit and its application; above *all*, because we have been willing to accept responsibility, and discharge it, as it has come our way, we are recognized as a truly vital group in the field of business today.

Perhaps we are really not entitled to full credit for the present importance which our positions occupy in the business world today. Was it not Shakespeare who said, "Some men are born great—some achieve greatness—and some have greatness thrust upon them"? Maybe the benefits to be derived from credit have simply created such a customer demand for it that we have had greatness "thrust upon us." Even if this be true, we should most certainly have been plowed under long ago had we not been prepared for changing conditions!

Science, the very thing that has been responsible for some of the greatest and most worthwhile changes that have taken place in our time, is even now being used or misused to create engines of destruction more terrible than we would have dared to dream.

Changes Ahead!

The wisest man might well hesitate to predict what changes lie ahead. They say that "Fools rush in where angels fear to tread," but even so, I shall not attempt to prophesy.

There are certain trends, however, which are apparent, and it might be well to consider them, for changes there are sure to be. Our country is geared to defense and armament production on a huge scale. A continuation of this production on this same scale is quite probable, regardless of what happens in the present war. We all know that this huge production means steady employment to a greater number of people, and this means more potential buying power.

We have been told that "business as usual" is out, and that production for consumption must be subordinated to production for defense. How far production for consumption will be restricted we do not know, but we are led to believe it may be restricted to a considerable extent. This might mean a scarcity of goods for your firm and my firm to sell. It might mean we would be unable to bid for a greater portion of that greater potential buying power now evident. We know the federal income tax bill of many will be multiplied several times. Much of the added potential buying power will go to pay that tax bill. It follows naturally that we may expect new problems to arise in the collection of our accounts.

Many business analysts say we will continue to enjoy business gains this year, and some of them say these gains will continue throughout 1942. None of us know what lies ahead, but pessimism will most certainly not serve any useful purpose.

Our experience in meeting changing conditions in the credit field during the past ten years can serve us well, however. I feel we are adequately equipped to meet any changes which the future has in store for us if we continue to cooperate as we have in the past. There may be some difficult decisions ahead, but if we work together, we will not fail.

With the firm resolve that we can take it, I am sure we can surmount any obstacle.

August, 1941 The Collection

	DISTRICT AND CITY	DEPARTMENT STORES (Open Accounts)						DEPARTMENT STORES (Installment Accounts)						WOMEN'S SPECIALTY STORES						FURNITURE STORES (Installment Accounts)						JEWEL	
		1941			1940			1941			1940			1941			1940			1941			1940			1941	
		AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.		HI.
	Boston, Mass.*	—	—	—	46.1	48.2	43.1	—	—	—	13.5	14.0	13.0	—	—	—	49.5	53.5	40.8	—	—	—	—	—	—		—
	Lynn, Mass.	54.0	59.0	43.9	56.0	57.4	41.9	39.2	43.1	35.3	38.7	44.4	33.1	—	—	—	—	—	—	25.6	27.2	24.0	19.3	24.6	14.0		15.0°
1	Springfield, Mass.	57.1	61.3	53.0	55.9	59.3	52.6	18.2	19.0	17.5	15.2	16.9	13.5	—	59.6	—	—	55.0	—	—	—	—	—	—	—		—
	Worcester, Mass.	42.1	44.3	41.8	46.9	47.1	43.6	19.5	21.0	18.0	17.4	20.4	14.4	40.1	41.9	36.0	37.0	39.9	36.7	—	—	—	—	—	—		—
	Providence, R. I.	45.5	72.9	42.6	44.2	68.7	41.7	—	—	—	—	—	—	—	—	—	—	—	—	—	12.0	—	—	11.9	—		—
	New York City	44.2	52.0	35.4	44.1	48.7	33.9	19.4	36.7	11.7	18.8	31.3	11.5	39.5	40.4	33.5	36.9	39.9	30.6	—	—	—	—	—	—		—
	Syracuse, N. Y.	38.4	46.3	37.9	38.7	42.6	37.0	15.5	22.2	13.0	13.1	18.8	17.5	—	40.5	—	—	39.4	—	—	—	—	—	—	—		—
2	Pittsburgh, Pa.	45.0	49.4	40.6	42.3	47.3	35.3	17.2	20.2	12.5	17.0	22.4	12.3	45.1	49.4	40.6	41.7	47.3	34.1	—	—	—	—	—	—	74	101.7
	Reading, Pa.	55.9	57.7	54.2	58.1	59.3	57.0	—	18.3	—	—	18.7	—	—	50.0	—	—	46.0	—	11.4	11.8	11.0	10.3	10.6	10.0		14.7°
	Washington, D. C.	39.3	42.3	35.5	39.2	45.9	34.7	14.9	18.1	12.9	14.6	17.2	12.3	—	—	—	—	—	—	—	—	—	—	—	—		—
3	Baltimore, Md.	40.9	46.9	32.2	40.8	49.0	31.1	19.8	30.2	11.2	17.6	26.7	11.0	39.2	43.8	34.4	39.2	39.5	34.3	—	—	—	—	—	—		—
	Huntington, W. Va.	49.7	58.0	41.4	56.0	58.3	53.8	13.9	14.5	13.3	11.9	12.9	10.9	—	33.5	—	—	27.1	—	—	11.0	—	—	9.2	—		—
4	Birmingham, Ala.	41.3	44.6	37.5	41.5	48.7	33.5	15.7	17.4	13.0	16.1	18.8	13.0	48.9	57.9	40.0	41.9	47.8	39.0	12.5	14.0	11.0	12.0	13.7	9.7		—
	Atlanta, Ga.	31.5	34.9	26.6	30.0	33.2	25.5	13.0	14.1	10.9	12.9	15.3	10.6	31.2	35.4	28.6	31.6	33.2	29.0	12.6	14.4	10.8	11.2	12.1	10.3		—
	Little Rock, Ark.	36.7	38.1	35.4	37.9	40.0	35.8	19.7	24.9	14.6	19.9	25.7	14.1	—	41.2	—	—	40.3	—	—	—	—	—	—	—		25.0
5	Kansas City, Mo.	61.3	76.8	45.8	59.0	70.8	47.2	—	—	—	12.6	20.3	15.0	50.6	55.5	39.8	46.6	56.7	32.9	—	—	—	16.5	18.3	14.8		—
	St. Louis, Mo.	51.4	60.9	46.9	50.9	59.8	45.1	20.1	23.5	17.8	17.4	20.5	15.6	42.7	52.4	37.6	42.0	49.7	35.0	—	23.1	—	—	23.7	—	42	48.0
	Louisville, Ky.	52.6	64.5	41.4	51.6	59.2	43.5	16.7	18.2	14.5	17.3	18.2	16.3	41.8	47.9	36.1	41.1	54.0	34.9	12.3	15.0	9.6	10.5	13.5	8.4		—
	Detroit, Mich.	52.9	68.4	40.4	52.1	67.7	39.5	24.4	28.5	17.1	21.2	24.5	15.6	48.7	55.0	43.5	45.6	51.9	40.2	—	—	—	—	—	—	65	82.0
	Grand Rapids, Mich.	43.5	47.2	37.3	44.4	47.8	41.0	16.0	16.3	15.6	17.6	18.3	17.0	44.4	55.8	34.5	39.6	48.2	28.5	21.3	28.2	15.3	19.4	24.2	14.0		—
	Cincinnati, O.	50.7	58.7	44.4	50.2	54.6	43.0	16.0	24.3	12.4	18.2	23.4	12.6	44.4	54.6	36.6	43.2	51.8	32.2	—	—	—	—	—	—	48	50.6
6	Cleveland, O.	51.2	56.3	45.1	49.2	56.4	45.7	22.8	27.6	17.5	19.9	21.0	16.8	41.8	47.5	41.1	42.2	43.0	35.2	12.3	18.0	8.5	11.0	14.7	9.0	40	61.3
	Columbus, O.	45.9	50.2	41.6	44.9	48.7	41.1	15.6	22.7	12.2	12.6	14.0	11.2	50.3	56.9	35.1	49.8	50.7	34.1	10.9	11.0	10.8	10.1	11.1	9.2		—
	Toledo, O.	43.7	55.7	40.3	44.4	56.7	39.2	16.6	21.5	12.2	18.1	19.6	13.0	42.3	43.3	40.0	44.3	51.3	41.5	—	—	—	—	—	—	36	46.6
	Youngstown, O.*	—	—	—	45.5	45.5	45.5	—	—	—	15.2	15.9	14.4	—	—	—	—	45.3	—	—	—	—	18.5	24.3	15.1		—
	Milwaukee, Wis.	50.3	54.3	45.9	47.7	55.1	45.1	22.2	22.7	17.5	17.5	18.8	16.1	50.5	56.9	25.0	46.9	53.2	21.3	12.2	15.5	11.3	11.8	13.3	10.3	32	45.0
	Cedar Rapids, Ia.	57.4	61.0	50.0	54.2	59.2	46.1	21.1	21.6	20.7	20.2	23.0	17.4	—	—	—	—	—	—	—	—	—	—	—	—		—
	Davenport, Ia.	51.3	51.3	51.3	49.4	50.7	48.2	15.1	16.3	13.8	11.5	14.2	9.2	—	—	—	—	—	—	18.8	20.6	17.0	17.9	18.3	17.5		32.5
	Des Moines, Ia.	46.0	48.3	41.6	41.6	44.3	39.9	—	11.4	—	—	10.8	—	40.5	58.9	32.4	39.7	59.5	35.5	—	—	—	—	—	—		—
7	Sioux City, Ia.	40.5	47.2	40.0	42.2	46.8	39.2	15.4	21.7	15.3	17.7	18.0	15.1	—	35.0	—	—	35.0	—	—	19.3	—	—	17.5	—		—
	Minneapolis, Minn.	63.8	67.4	60.8	64.4	68.2	59.9	20.6	22.6	16.4	19.6	22.0	16.0	65.4	66.1	64.7	62.9	62.9	62.8	—	—	—	—	—	—		49.5
	St. Paul, Minn.	51.0	57.6	45.7	51.9	57.5	44.0	35.4	63.0	12.7	17.9	22.6	15.3	46.8	56.3	35.0	41.0	46.5	31.0	—	—	—	—	—	—		—
	Omaha, Neb.	—	43.0	—	—	42.7	—	—	13.8	—	—	12.3	—	44.7	46.7	42.6	40.1	43.8	37.5	—	—	—	—	—	—		—
8	Tulsa, Okla.	57.1	60.0	54.1	57.6	61.0	54.2	17.9	24.0	11.7	15.9	20.0	11.8	44.2	50.5	38.0	46.5	47.0	46.0	—	—	—	—	—	—		—
	San Antonio, Tex.	39.5	44.2	33.6	39.5	46.1	33.0	—	9.1	—	10.3	12.6	9.1	36.0	42.0	33.0	39.6	46.7	33.0	10.3	11.6	10.0	10.0	10.7	9.4		20.8°
	Denver, Colo.	45.1	47.9	44.4	41.4	44.0	39.7	15.9	26.3	13.8	14.1	25.5	13.1	45.3	45.5	45.1	41.5	42.7	40.4	10.4	11.8	9.0	9.8	10.5	9.1		15.0°
9	Salt Lake City, Utah	55.2	63.4	47.0	58.3	63.2	53.4	23.2	29.9	18.6	26.6	36.5	20.9	—	—	—	—	—	—	—	—	—	—	—	—		—
	Casper, Wyo.	45.0°	113.0	43.0	—	112.7	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—		29.0°
10	Portland, Ore.	38.6	40.1	32.5	37.6	43.5	36.7	15.1	15.2	11.9	12.7	14.3	11.8	44.4	48.1	39.2	45.3	48.8	38.7	—	—	—	—	—	—	17	22.7
	Spokane, Wash.	47.4	56.7	38.2	49.1	53.7	44.6	12.9	14.4	11.5	11.2	13.1	9.4	50.8	54.0	47.6	48.7	64.2	47.0	—	—	—	—	—	—		20.5
	Los Angeles, Calif.*	—	—	—	61.6	63.6	54.3	—	—	—	16.7	19.4	16.0	—	—	—	47.0	53.0	38.7	—	—	—	—	—	—		—
11	Oakland, Calif.	48.9	52.2	50.2	50.2	53.0	40.3	17.6	28.6	12.7	18.8	27.0	13.8	40.2	46.8	33.7	42.0	50.5	33.6	—	21.6	—	—	19.1	—		—
	San Francisco, Calif.	40.6	55.0	37.0	41.3	55.8	38.1	16.6	22.2	14.4	17.9	20.4	14.7	31.9	36.6	26.9	30.8	36.6	26.6	—	—	—	—	10.9	—		—
	Santa Barbara, Calif.	47.8	54.1	35.1	55.9	61.5	42.5	—	—	—	—	—	—	44.3	49.3	36.5	45.6	52.2	36.9	—	—	—	—	—	—		—
	Vancouver, B. C.	58.9	63.2	54.7	57.6	63.8	51.4	28.3	33.9	22.6	24.3	25.2	23.5	—	35.0	—	—	37.5	—	21.0	22.0	20.0	22.5	26.0	19.0		—
12	Victoria, B. C.	65.0	71.3	59.0	67.7	68.6	66.9	22.4	25.4	19.4	25.4	29.3	21.5	—	—	—	—	—	—	—	—	—	—	—	—		—
	Ottawa, Ont.*	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—		—

•1941 figures not received at press time
°Installment

[1]Furriers

[3]Heating
[5]Lumber

[6]Paper and Paint
[7]Fuel

[8]Cleaning and Dyeing
[10]Artists' Supplies

FORTY-EIGHT KEY CITIES COOPERATING WITH THE RESEARCH DIVISION--IN THE

...ion Scoreboard August, 1940

...S	JEWELRY STORES						MEN'S CLOTHING STORES						SHOE STORES						AUTO ACCESSORIES, TIRES, GAS AND OIL						MISCELLANEOUS					
	1941			1940			1941			1940			1941			1940			1941			1940			1941			1940		
LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.
—		—	—	60.5	62.6	58.5	—	—	—	53.7	57.3	50.2	—	—	—	—	57.0	—	—	—	—	—	—	—	—	—	—	61.0	73.0	32.0
4.0		15.0°	—	—	21.0°	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	53.5	72.0	33.5	54.0	73.0	31.8
—		—	—	—	—	—	—	46.0	—	—	43.0	—	—	65.2	—	—	58.3	—	—	—	—	—	—	—	53.2	55.4	51.0	46.1	51.0	41.3
—		—	—	—	—	—	—	40.0	—	—	40.0	—	—	42.4	—	—	48.2	—	—	62.8	—	—	65.3	—	67.5	87.0	46.0	67.5	89.0	44.1
—		—	—	—	—	—	—	42.6	—	—	37.3	—	—	58.6	—	—	60.5	—	—	—	—	—	—	—	54.5	75.0	34.0	42.7	60.5	25.0
—		—	—	—	—	—	37.9	44.0	42.0	41.0	42.0	40.2	—	—	—	58.9	67.7	50.0	—	61.9	—	53.3	60.5	46.6	58.5	82.6	50.0	60.5	87.2	41.9
—		—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	59.7	61.0	58.4	—	58.5	—
—	74	101.7	47.6	53.5	54.9	52.1	—	—	—	—	—	—	50.5	53.5	47.5	52.1	58.1	46.1	—	—	—	—	63.0	—	65.3	74.6	56.0	67.7	77.9	57.5
10.0		14.7°	—	—	12.1°	—	46.6	52.6	40.6	48.5	59.1	38.0	—	74.5	—	—	77.0	—	—	—	—	—	—	—	56.9	58.7	51.9	51.9	53.0	51.1
—		—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
—		—	—	—	—	—	42.0	48.0	38.9	41.3	51.2	34.9	43.0	48.9	38.2	43.3	46.8	40.4	—	—	—	—	—	—	—	—	—	—	—	—
—		—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	62.2	—	—	48.0	—	—	—	—	—	—	—
9.7		—	—	24.6	25.6	23.0	43.5	48.6	40.0	41.9	47.8	39.0	—	—	—	—	—	—	—	—	—	68.3	73.6	57.7	74.2	84.0	64.7	67.1	84.0	41.0
10.3		—	—	—	—	—	34.9	37.9	31.9	32.1	33.9	30.4	40.0	40.0	40.0	41.1	41.1	41.1	—	—	—	65.8	65.8	65.8	44.6	44.6	44.6	49.3	49.3	49.3
—		25.0	—	—	20.0	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	81.2	—	—	63.0	—	—	55.0	—
14.8	—	—	—	—	—	—	50.6	55.5	39.8	46.6	56.7	32.9	—	—	—	—	49.6	—	—	76.1	—	72.5	76.0	70.0	90.0	98.2	65.6	76.0	88.8	56.2
—	42	48.0	37.0	46.5	50.0	43.1	36.8	41.0	34.6	36.4	40.0	34.6	—	—	—	—	—	—	—	—	—	—	65.8	—	62.8	64.0	61.6	63.8	69.0	58.7
8.4		—	—	—	—	—	41.1	44.8	37.5	42.2	46.2	38.3	—	49.0	—	—	49.2	—				—	—	—	47.9	48.8	47.0	49.4	52.0	46.9
—	65	82.0	48.0	56.3	71.7	41.0	—	—	—	—	—	—	56.7	59.4	52.7	52.6	57.4	43.0		—	—	—	—	—	—	—	—	—	—	—
14.0		—	—	—	—	—	53.7	78.0	41.5	53.4	84.9	35.5	—	—	—	—	—	—	—	—	—	—	—	—	76.1	93.0	50.0	56.9	80.0	41.5
—	48	50.6	46.6	51.8	56.1	47.6	41.2	48.7	33.8	—	47.1	—	61.0	67.8	54.3	59.4	69.0	49.9	—	—	—	—	—	—	55.4	66.0	48.0	57.7	71.4	49.2
9.0	40	61.3	38.8	38.5	62.0	31.1	44.8	53.9	42.6	42.1	55.9	34.3	—	—	—	—	—	—	—	—	—	—	—	—	50.8	66.0	41.0	47.8	58.2	38.0
9.2		—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
—	36	46.6	27.0	39.9	46.8	33.0	37.6	39.1	36.1	36.4	39.5	33.3	—	—	—	—	—	—	—	89.0	—	59.4	77.8	41.0	83.0	90.0	66.6	65.0	66.1	64.0
15.1		—	—	—	—	—	—	—	—	47.8	52.1	45.3	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
10.3	32	45.0	28.2	35.0	46.0	25.2	47.8	50.6	42.0	42.7	44.0	39.6	—	47.7	—	—	44.0	—	—	—	—	—	—	—	—	75.0	—	—	30.0	—
—		—	—	—	—	—	53.4	56.8	50.0	50.1	52.0	48.3	—	59.0	—	—	60.0	—	—	—	—	—	—	—	—	57.2	—	—	71.1	—
17.5		32.5	—	—	30.0	—	52.6	53.4	51.8	49.1	51.0	47.2	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	62.0	66.0	58.0
—		—	—	—	—	—	40.6	44.6	36.6	42.9	43.8	42.0	—	56.0	—	—	40.0	—	—	—	—	—	—	—	—	—	—	—	—	—
—		—	—	—	—	—	—	40.0	—	—	41.0	—	—	47.0	—	—	49.0	—	—	—	—	—	—	—	—	33.0	—	—	40.5	—
—		49.5	—	—	63.4	—	49.6	55.3	45.3	48.3	49.4	47.2	73.1	82.0	64.1	74.2	76.0	72.4	48.0	75.5	20.4	52.9	77.6	28.2	—	56.8	—	—	47.6	—
—		—	—	—	—	—	41.5	55.1	35.0	39.9	46.5	32.0	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
—		—	—	—	—	—	—	47.1	—	—	49.4	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
—		—	—	—	—	—	38.0	38.0	38.0	33.2	33.2	33.2	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
9.4		20.8°	—	—	21.0°	—	—	57.2	—	—	43.2	—	—	53.0	—	—	49.0	—	—	—	—	—	—	—	—	—	—	—	—	—
9.1		15.0°	—	—	15.8°	—	46.1	46.8	45.5	41.6	42.7	40.4	—	41.1	—	—	41.0	—	—	—	—	—	—	—	67.8	81.0	54.6	68.1	76.3	59.9
—		—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
—		29.0°	—	—	35.0°	—	46.5	48.0	45.0	48.5	58.0	39.0	—	66.6	—	—	64.6	—	—	—	—	—	—	—	—	72.2	—	—	77.3	—
—	17	22.7°	13.5°	16.4°	22.7°	11.5°	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
—		20.5°	—	—	22.3°	—	48.8	72.6	33.4	40.6	47.4	33.8	—	—	—	—	—	—	—	—	—	—	—	—	62.5	76.0	39.0	63.5	78.2	27.0
—		—	—	—	—	—	—	—	—	53.8	58.4	47.6	—	—	—	51.3	58.7	50.1	—	—	—	—	—	—	—	—	—	—	83.5	—
—		—	—	—	—	—	50.2	52.3	48.1	49.5	51.9	47.1	49.9	52.0	47.8	—	45.4	—	—	—	—	—	—	—	—	—	—	—	—	—
—		—	—	—	—	—	41.1	43.9	34.0	40.2	43.1	34.6	51.1	81.0	41.8	48.8	90.5	41.0	69.2	76.1	67.4	70.0	76.0	61.8	—	—	—	—	—	—
—		—	—	—	—	—	56.2	66.9	45.4	57.7	68.7	50.4	49.4	57.7	42.4	48.8	56.7	41.7	—	—	—	—	—	—	61.9	71.0	55.8	62.6	73.8	55.0
19.0		—	—	23.0°	28.5°	19.5°	—	44.5	—	44.4	53.0	35.8	—	44.0	—	—	30.0	—	—	—	—	—	—	—	68.5	94.1	24.0	68.7	91.0	45.9
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...yeing ...s | [11]Builders' Supplies | [14]Stationery, Office Supplies | [16]Hardware | [19]Drugs | [25]Dental Supplies
[13]Grocery | [18]Dairy | [23]Household Equipment

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Management Casts Its Eye on the Credit Executive

J. T. MACHAT

Director, Credit Promotion Division, Ross Federal Service
New York, New York

A thinking credit executive glances into a mirror. He would like to believe his image reflects: (1) the able executive; (2) a sales-minded go-getter; (3) a skillful master of detail; (4) a shrewd business man; (5) the possessor of unlimited tact and diplomacy; and (6) a disseminator of good will and genial charm. Check these qualifications against our composite ego and we rate high. It is much more important, however, to know what the Management thinks.

Recently, questionnaires went to nearly four hundred important executives throughout the nation. Answers to two basic questions were sought. In essence, the first question was, "What, in your estimation, should be the primary goal of the credit executive?" The other, "What should the credit executive do or plan now, in anticipation of the probable future slump in business?" The first question was broken up into five categories as follows:

A. Low Loss Rate
B. Collection Percentage
C. Low Operating Expense
D. Charge Account Solicitation
E. Building Customer Good Will

To the second question was added, "In your opinion, is the credit executive (a) meeting the challenge of the times, (b) temperamentally as well as technically fitted for his job?" The questions asked of the top-flight store executives met with excellent response. Not alone did the largest proportion respond, but the accompanying comment made this study particularly effective. Space does not permit a detailed review of the survey, percentage-wise as well as numerical. However, the composite reactions are illuminating and should offer food for thought.

Outstanding reaction on question number one was that good will was the credit executive's number one job. Virtually every respondent placed that ahead of all other goals. The general comment accompanying the choice of these executives was that good will, *now,* would pay rich rewards when the pinch comes. After all, good will is the chief stock in trade of the department store. Delos Walker, Vice-President of R. H. Macy, summed it up in the admonition, "Build for good will and keep loss rate low thereby."

Second only in importance to good will as the number one job, was the solicitation of charge accounts. More than 72 per cent of the respondents mentioned account promotion as an essential and necessary part of the work of the credit executive. Most of the answers indicated this as a safeguard and stopgap against any precipitous drop in volume. The consensus of opinion seemed to be that a sound backlog of charge customers would cushion the drop since it would thereby be felt primarily in cash business. Virtually all urged caution in credit granting, but taking due caution and a reasonable conservatism, there should be no lessening in the securing of desirable charge accounts and the reactivating of the store's inactive customers.

Collection percentage, low loss rate, and low operating expense were voted third, fourth, and fifth in importance. This, we believe, is significant. Possibly these items are not stressed in a large-volume period and are made much of when the slump comes. However, as a factual statement, the good will and new charge accounts solicitation seemed far more important to the largest majority of those replying. It is not within the province of this article to debate conclusions reached as a result of a typical study, but we wonder if the answers were not a little bit the result of the bitter experience of the late twenties and early thirties. Perhaps store executives are now taking the experience to heart.

A question that produced a very lively and interesting response was, "In your opinion, what should the aggressive credit executive be doing or planning now in anticipation of a future slump in business?" The answers followed almost the identical pattern set in question num-

ber one. Apparently, top executives feel that principles which guide the credit executive at any time should be particularly applicable now. In my opinion that is a very healthy sign.

Sound advice was given to the overall picture by O. H. Schonbacher, controller of Loveman, Joseph & Loeb (Birmingham, Ala.), when he wrote: "The credit executive should endeavor to improve collection percentage and keep accounts receivable in a liquid condition. He should promote and work on accounts that are least likely to be affected by a let-down, such as customers not engaged in defense activities." Kenneth C. Richmond, controller of Abraham & Straus (Brooklyn, N. Y.), touched on a fundamental precept. "The credit executive," said Richmond, "should now be keeping accounts current, shortening installment terms, and increasing service charge rate on installment accounts." Many opinions were expressed on the caution that should be observed in credit granting in these times, but all opinion was against conservatism, per se. Joseph Henderson of Mayer Israel Co. (New Orleans) expressed a shrewd thought stating, "Watch the paying history of customers. All people are honest as long as it is convenient." Dorothy Swenson, Promotion Manager of Abraham & Straus gives us nearly the answer when she says that "No swing either toward liberalism or conservatism is necessary, provided the job has been carefully thought out in the first place." Frank Eichelberger, credit executive of the Hub, Baltimore, answers humorously for all the credit executives: "I would suggest," he said, "that credit executives now begin to lay in a large supply of aspirin for that period which is bound to come and possibly sooner than many of us expect!"

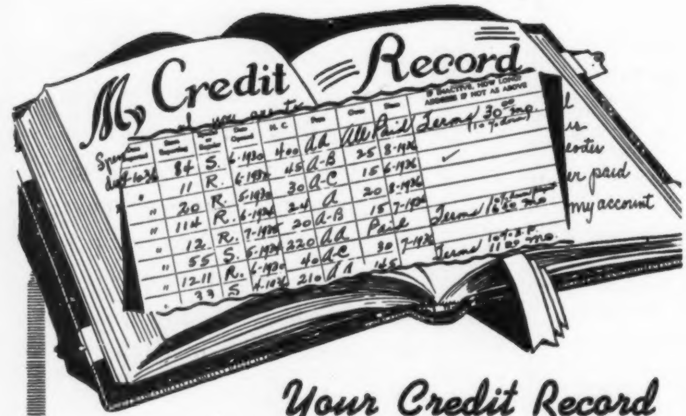
Credit Executives Meet Challenge

The typical executive looks at the credit manager and decides that he is, in the main, doing a capable job of carrying out the primary function called for in question number one. More than 80 per cent of respondents expressed the opinion that the average credit manager is succeeding in meeting the challenge of the times. Creating good will took top billing in the vote as to of what this primary function consists. Top executives, by and large, think that the credit executive is temperamentally and technically suited for his job. This is important and should give us added courage. In some instances, the use of greater vision was suggested.

What can we conclude from these findings? First, agreement with the premise that today's conditions are out of the ordinary. We learn that customer good will is thought of as the strongest bulwark against future trouble; and as a contributor to good will we discover added numbers of charge customers rate high in desirability. Since, by an overwhelming vote, improved customer relations is viewed as more important than the mechanics of a credit office, it is not surprising the questions which dealt with operations were accorded third, fourth, and fifth places.

Streamlined

Advertising



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To learn, says the dictionary, is to receive instruction. Good instruction makes one wiser and a want of it is an inconvenience. There is no age limit to learning and thus to earning which naturally follows learning.

The Credit School plan, sponsored by the National Retail Credit Association, offers the advantage of instruction on retail credit during evening hours, and the results pay handsome dividends.

It is still not too late to organize a Credit School in your city. If you haven't plans already under way, get behind it NOW! The first step is to organize a Credit School committee and appoint a Director. Then plan some real promotional work to publicize the School, such as folders to be mailed to prospective students outlining the course of study, lectures, time, place, etc. These should be mailed to members and non-members of your local Association alike. Make your drive for students the biggest promotion your local Association has ever undertaken; by so doing you will not only obtain new members for your Credit Bureau, but will create a spirit of good will and educate more people to a real knowledge of what the Credit Bureau is and does; its relation to the Credit Department and the ultimate benefits to be derived by all. We have a number of unsolicited letters from Local Associations and Credit Bureaus telling us the many benefits to be derived from conducting Credit Schools. They have been prepared in booklet form. Send for one. There is no charge.

Success of School Depends on Proper Organization

The lecturers for the Credit Schools should be chosen wisely from among the leading credit executives of the community as well as the surrounding cities and towns who have had years of practical experience in credit department work. Also, a visit of the students to the local Credit Bureau helps to give them a realistic picture of its inner workings. Likewise, the showing of the sound slide film, "Credit—The Life of Business," available from the National Office, does much to complete the picture of modern credit department procedure.

If you have already conducted a Credit School using the textbook *Retail Credit Fundamentals* by Dr. Clyde Wm. Phelps as a basis, repeat this course two or three times. There are countless numbers of persons interested in this subject who are looking for the opportunity to learn more and more about it. The field has not even been touched when you consider the number of inquiries we are still receiving for such study.

Perhaps, too, you have a large number of persons in your community who have not heard of the letter writing course based on the text and reference book *Streamlined Letters* by Waldo J. Marra. This is an excellent follow-up to the *Retail Credit Fundamentals* Course.

The success which these books have enjoyed is indeed warranted, and we urge you to write now for a copy of each on approval. Also write for a free copy of *How to Organize and Conduct Credit Schools,* a booklet which gives full particulars about the method to follow in promoting an educational program such as 140 cities have successfully conducted since the beginning of our Credit School program. Fill out the coupon below and a free copy of the brochure will be sent to you promptly.

No Local Retail Credit Association's educational program is complete without a Credit School under way, and this plan once followed is hard to equal. Through the medium of these two educational courses, designed to meet the requirements of the day, a more thorough understanding of one's job is obtained. Study of these subjects enables one to meet credit problems as they arise, quickly and comprehensively, and letters and methods are made plainer.

Remember, the Credit Students of Today Will Be the Credit Executives of Tomorrow.

NATIONAL RETAIL CREDIT ASSOCIATION
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Interpretations of

INSTALMENT REGULATION OF FEDERAL RESERVE SYSTEM

The following interpretations of Regulation W relating to the extension of instalment credit have been issued by the Board of Governors of the Federal Reserve System:

1. HOME MODERNIZATION—Work is in progress on a home modernization job which cannot be completed by August 31. Prior to the issuance of Regulation W or the signing of Executive Order 8843 under which Regulation W was issued, a lender made a written commitment to finance the modernization upon its completion. When the work is completed in due course after September 1, may it be financed pursuant to the pre-September commitment, or must the financing comply with the 18 months limitation stated in the supplement to the regulation? Would it make any difference whether the credit was instalment sale credit instead of instalment loan credit?

   It is the opinion of the Board that in such a case of a bona fide written pre-September commitment, which is in effect a contract to make a contract and which involves no effort to evade the Regulation, Section 9 (d) permits the modernization to be financed pursuant to such commitment even though the loan is not made until after September 1. The same result would follow in such a case whether the credit was instalment sale credit or instalment loan credit.

2. HOME MODERNIZATION—In connection with a contract for the modernization of a building, a written commitment is made on September 2, 1941, for a loan which will be subject to Regulation W and is to be made when the work is completed. The construction and installations involved in the modernization are expedited as much as circumstances will permit, and are completed on October 10, when the loan is made on the certificate of completion. In calculating the 18 months maximum maturity permitted for the credit, should September 2 or October 10 be taken as the base? Would it make any difference if the credit was instalment sale credit instead of instalment loan credit?

   The Board is of the opinion that in the specified case the date to be used as the base for calculating the 18 months maximum maturity is October 10. This would hold true whether the credit is instalment sale credit or instalment loan credit.

3. FURNITURE—If furniture is of the type used in households it is subject to the regulation and it does not matter that the particular piece may be sold for use in an office, hospital, store, or other commercial building.

4. COOKING STOVES AND RANGES—An oven or a broiler is considered a heating surface if it has a separate source of heat, as, for example, a separate burner or electric element, but if oven and broiler have a separate source of heat in common it is considered that there is but one heating surface. Neither is considered a heating surface if its source of heat is a central firebox.

5. INSTALMENT SALES OBLIGATIONS TRUSTEED UNDER A COLLATERAL TRUST AGREEMENT—Pursuant to an established bona fide business practice a finance company issues and sells notes which are secured by instalment sales obligations trusteed under a collateral trust agreement. It is not feasible for a purchaser of the collateral trust notes to examine the underlying obligations held by the trustee. Suppose one of the underlying instalment obligations failed to comply with the requirements of Regulation W and such noncompliance, although unknown to the purchaser of the collateral trust notes, showed on the face of the underlying instalment obligation. Would the purchase of the collateral trust note in such a case, or the receipt of payments on the note, constitute a violation of Regulation W?

   The regulation does not apply to the purchaser unless he is a person required by Section 3 (a)(1) to be licensed. If he is such a person, the payments received, according to the question as stated, arise out of the collateral trust note rather than the underlying obligation and under Section 9 (e) the regulation does not apply to such payments. Even if the transaction were such that the payments arose out of the underlying obligation rather than the collateral trust note the receipt of payments by the registrant purchasing the note secured by such underlying obligation would not be contrary to the regulation if when he made the purchase the underlying obligation did not on its face show some noncompliance or if he did not at that time know some fact by reason of which the extension of credit on which the underlying obligation was based failed to comply with the regulation. In this connection it will be noted that while 4 (f) requires that extension of instalment sale credit be evidenced in the prescribed manner, this does not require that the obligation or claim referred to in Section 3 (a)(2)(B) shall contain all the prescribed information, since under Section 4 (f) the evidence of the underlying transaction which must contain the necessary information, or have such information attached, may be a separate instrument or record and need not be the same as the obligation or claim referred to in Section 3 (a)(2)(B).

6. MECHANICAL REFRIGERATORS—The classification includes frozen food cabinets of the specified capacity but does not include milk coolers, assuming that they are not designed for household use.

7. TUMBLER CLOTHES DRIERS—Are not included in any of the classifications of listed articles.

8. OUTSTANDING CONTRACTS—In connection with Section 9 (d) exempting contracts made before September 1, questions have been received as to whether orders received through the mail by a mail order company come within the exemption if the orders are postmarked prior to September 1 but in the usual course of business are not filled until after that date. The standing practice of the company has been to fill all such mail orders according to the terms of the catalog, subject only to the right of the company to refuse to fill the order for certain specified reasons such as unsatisfactory credit standing of the customer.

   If such orders are received in good faith pursuant to an outstanding catalog and without personal solicitation, it is the view of the Board that those postmarked before September 1 may be deemed to be exempted under Section 9 (d) even though in the usual course of business they are not filled until after that date.

9. HOUSEHOLD FURNITURE—The classification includes lamps designed for household use.

10. DEPARTMENT STORE COUPONS—Coupons serve as money within a department store and are sold by store on installment basis with maturity shorter than prescribed in regulation but down payments are smaller than required by regulation. May coupons purchased for 10 per cent down and 8 months to pay be used for purchase of vacuum cleaner requiring 20 per cent down payment?

    Board is of opinion that for purposes of applying Regulation W face value of coupon is not material but that consideration should be given only to amount of money actually paid by purchaser. Accordingly sale of vacuum cleaner would not comply with regulation if sufficient money to constitute required down payment had not been paid before sale, whether money was paid for coupons or otherwise.

11. EFFECTIVE DATE OF REGULATION—Question has been raised as to effect of September 1 holiday upon the effective date of Regulation W. Fact that this is holiday does not alter effective date of regulation, which becomes effective at beginning of business on September 1.

12. COMMITMENTS MADE PRIOR TO SEPTEMBER 1—Certain questions have been received regarding the status under Regulation W of commitments made prior to September 1 to extend credit after September 1. Section 9 (d) of the regulation exempts "any valid contract made prior" to September 1.

    An earlier ruling of the Board has indicated that this exemption applies to a written commitment made prior to September 1 with respect to a modernization job that is in process on August 31. In order to clarify further the application of this provision to outstanding commitments, certain general principles applicable to such commitments are set out below.

    1. The underlying principle is that the exemption in Section 9 (d) for "any valid contract" made before September 1 applies not only to an extension of credit actually made before that date, but also to a valid contract to make a contract. The exemption, therefore, includes a valid commitment made in good faith before September 1 to extend credit after September 1, and includes also the credit extended pursuant to such a commitment.

    2. In order for the exemption to apply there must have been a valid contract. The general test is that the borrower should, in the absence of the regulation, have been able to maintain a suit for damages if the credit had not been granted pursuant to the contract. Some of the requirements for such a contract may be briefly summarized: (a) Even an exact agreement on the sale of a particular article is not necessarily an agreement to extend credit therefor. There must have been a valid contract relating to the credit. Where there is ambiguity as to whether the contract included credit arrangements, relatively little proof would be needed in the case of a contract for a unique or "custom built" item, as for example a home modernization job, to show that the contract did include credit arrangements; but in the case of a standard article the presumption would be strongly the other way. (b) There must in any case be considerably more than general negotiations or indefinite "understandings" that the credit would be extended. There must have been an agreement to extend the credit and a reasonably exact agreement as to terms and amount. (c) While not always essential, the case is much clearer if there is written evidence of the commitment. The time as of which the extension of credit is itself dated is not important, the significant date being that of the prior commitment.

    3. Substance and good faith rather than technicalities and formalities control in determining whether there is a valid pre-September contract. The most elaborate written documents do not constitute such a contract unless they represent a bona fide commitment made as a part of a regular business transaction and not as a means of evading the regulation.

13. HOUSEHOLD FURNITURE—The classification includes mirrors, unpainted furniture, stools, kitchen or breakfast room sets, porch tables, chairs, and swings, and kitchen cabinets but does not include pictures or clothes hampers.

14. NOT INCLUDED IN LISTED ARTICLES—The following articles are not included in any of the classifications of listed articles: toasters, food mixers, roasters, air circulating or ventilating fans other than attic fans or air conditioners, waffle irons, clocks, carpet sweepers not electrically operated.

15. INTERVALS OF PAYMENTS—Section 4 (d) of Regulation W does not permit sale of listed article for payment in five equal instalments spaced at three month intervals.

16. GENERAL INTERPRETATION—A case has been presented to the Board in which a dealer selling a listed article in Group D does not take a note from the purchaser payable to the dealer, but instead, according to arrangements with a bank, takes from the purchaser a note payable to the bank. Since the note is not secured by the listed article, the question has been presented whether the transaction is an extension of instalment sale credit subject to Section 4, in which case a down payment would be required, or whether the transaction is an extension of unsecured instalment loan credit subject to Section 5 (b), in which case the down payment would not be required.

    The question is covered by Section 2 (d) of the regulation. That Section defines an "extension of instalment sale credit" as an extension of instalment credit which is made "by any seller" and "arises out

(Turn to "Regulation," page 29.)

How About the CASH Customer?

DR. HARRY DEANE WOLFE*

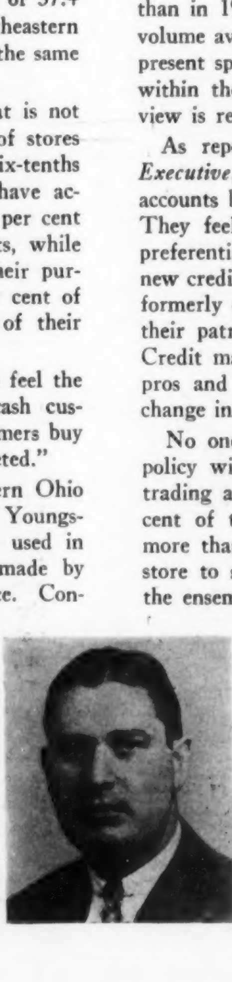
Director Bureau of Business Research
Kent State University, Kent, Ohio

Adopt a stricter credit policy! Shorten up credit terms!" These and similar admonitions are being heard in credit circles throughout the country. But, before such a policy is adopted, department store executives are advised to check up on their attitude toward the cash customer, if the findings of a recent survey are accepted. Five hundred ninety-four women, or 37.4 per cent of those interviewed in five large Northeastern Ohio cities, said that cash customers do not get the same consideration offered the charge customer.

Furthermore, any change in credit policy that is not uniformly adopted will raise havoc with sales of stores which pioneer such a movement. Seventy and six-tenths per cent of those with open charge accounts have accounts at more than one store. More than 50 per cent of those interviewed have open charge accounts, while 75.3 per cent pay cash for at least some of their purchases. Thus it may be estimated that 50 per cent of charge customers pay cash for at least some of their purchases.

The principal reasons suggested by those who feel the cash customer is discriminated against are, "cash customers are considered transients," "charge customers buy more," and "stores consider a cash sale completed."

This study was conducted in the Northeastern Ohio cities of Akron, Cleveland, Canton, Warren and Youngstown. Consumer checks, it is felt, should be used in order to complement and reinforce decisions made by management on the basis of their own experience. Concerns as large as General Motors have felt for years that consumer surveys are advantageous to proper merchandising. Why then may not department stores adopt some of these modern merchandising aids? Whether or not you place much stock in the organized consumer movement, it must be admitted that consumers now are more sophisticated, more experienced in shopping than ever before. By finding out what customers want and how they feel about your store and your merchandise, stores may build a new philosophy, "Obtain consumer acceptance rather than tear down sales resistance."



With sizeable sales increases and with bright future prospects store managers may feel that now is the time to throw off some yokes put around them during the dismal thirties. And no one can argue against such a hope. However, changes must come slowly. With billions appropriated for defense, and production schedules now exceeding 1929 highs, department store sales are still far from 1929 levels. The present period therefore offers an excellent opportunity for department stores to build good will. Too, it must not be forgotten that from 40 to 50 per cent of all salary and wage earners are white-collar workers, many of whom face not an increase in wages but rather a decrease in purchasing power due to rising prices.

Two developments since 1929 should be recalled to managers who are thinking in terms of 1929 (and at this time every executive should). First, chain stores in soft lines are taking a larger share of the total volume than in 1929. Second, the 1940 census reveals that the NUMBER OF RETAIL STORES is now greater than in 1929, which means, of course, that there is less volume available for each store. Hence, don't allow the present spurt to obscure some of the real basic problems within the field. A long-range, broad-gauged point of view is recommended.

As reported in an earlier survey (Cf. *The Retail Executive*, July 12, 1939), many women open charge accounts because of the treatment given cash customers. They feel that only through this device can they get preferential and deferential handling. Therefore, if a new credit policy means the denial of credit to some who formerly enjoyed the privilege, will these customers take their patronage to stores that cater to cash customers? Credit managers might pause long enough to weigh the pros and cons of this question before they advocate a change in credit granting policies.

No one store will be able to adopt a stricter credit policy without the cooperation of other stores in their trading area. Six hundred sixteen women, or 70.6 per cent of those with charge accounts, have accounts at more than one store. The mobility of customers from store to store was adequately demonstrated recently in the ensemble survey reported in *Women's Wear Daily*. Obviously, if Mrs. Jones finds her credit restricted by Store A, she may transfer her custom to Store B, unless Store B also restricts her credit. What will she then do? Shop around more? Undoubtedly!

Before any policy change is instituted, would it be amiss at this time to discuss the advisability of the two-price system? Sufficient evidence is now available to prove the workability of such a plan. Pause a moment to consider the trend in chain store grocery merchandising. Large super-markets with a

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minimum of services and lower prices are replacing smaller units where semi-service was offered at higher prices. Of course it might be argued that chain stores began their drive for business on a cash basis. True enough. But before the chains, women had been satisfied with the full service grocer. Not today!

Now, many of the grocery chain customers are also your customers. Is it too academic to suppose that they might also enjoy a similar option in their department store purchases? And, as long as the store continues to give better service to the credit customer than to the cash customer doesn't it seem unfair to make the cash customer pay the same price?

Perhaps this is not the time to propose such a change. But bear in mind before you change any of your present policies that the average white-collar worker is going to have LESS TO SPEND, rather than more, as soon as the defense program gets into full stride and its impact is felt in the form of higher prices. The present flush of business is in large measure owing to the return of large numbers of unemployed and part-time workers to steady payrolls. A leveling-off period as soon as these new workers fill some of their more urgent needs is a distinct possibility.

Many stores which scoff at the two-price system have themselves used it for years. Are not trading stamps and the like for cash or prompt charge account payment a form of the two-price system? And are not Budget Accounts a form of the two-price system?

Are Cash Customers Transient?

Why do consumers think stores discriminate against cash customers? (Remember, 594 women, or 37.4 per cent feel that way.) "Cash customers are considered transients," said 24.2 per cent. "Charge customers buy more," replied 22.4 per cent, while another 17.5 per cent said, "Stores consider cash sales completed." Are cash customers transients? The evidence is far from convincing. One interviewee reported a happenstance which may or may not be typical but is here reported because of the lesson it draws. A customer returned two items on the same day. For one item she paid cash; the other item was charged. Although the charged item was much higher priced, no difficulty was experienced in obtaining a credit slip. But with the cash item, many questions had to be answered, much time was lost, the patience of the customer was tried. And some stores wonder why the percentage of returns from charge customers is higher than from cash customers. They plan it that way!

Furthermore, if stores do consider cash customers transients aren't they making a fatal error? Because as shown in this survey approximately 50 per cent of charge customers pay cash for some of their purchases. And aren't many of the charge customers transients too? The census reports approximately one-third of all retail business is done on credit, and while each store may have a different ratio than the above, it cannot be emphasized too forcibly that the major portion of American consumers pay cash for their purchases.

Answers to Questions

1. Do you trade in department stores?

	%
Regularly	66.2
Occasionally	33.2
Never	.6

2. How do you usually pay for department store purchases?

	%
Cash	75.3
Open Charge	54.9
Budget Account	3.1
Coupon Account	.7

3. If you charge, do you have an account at more than one store?

	%
Yes	70.6
No	29.4

4. In the light of your experience, do you feel that cash customers are treated with as much consideration as charge customers?

	%
Yes	40.9
No	37.4
Can't Say	21.7

5. If NO, to question 4, why do you think the stores act this way toward the cash customer?

Reasons	Number	%
Cash customers considered transients	144	24.2
Charge customers buy more	133	22.4
Stores consider cash sale completed	104	17.5
More trouble to refund money	64	10.8
Charge customers treated more leniently	41	6.9
No record of customer as to amount or frequency of purchase	40	6.7
Have often wondered myself	33	5.6
Clerks indifferent to cash customers	15	2.5
Refused to comment	20	3.4

Many credit men argue that charge customers buy more. Therefore they must be given preferential treatment. Obviously the larger a person's income, the more he may spend. But assuming a given income, it must be granted that a person cannot, for long, spend more than his income. Every good credit manager will see to that! Then the argument must resolve itself into the proposition that the charge customer will buy more in your store because she has a charge there. There is of course evidence to prove that contention. But remember, 70.2 per cent have charge accounts at more than one store. And, many of them pay cash for some of their purchases. Over a period of time, therefore, how much more will any customer buy at your store because she has a charge there? My guess is, not much!

But, if she should extend herself and then is unable to fulfill her credit obligation, some credit managers suggest that the customer apply to a personal loan company for a loan to pay the store. What is the result of such procedure? With the 24 per cent and 30 per cent per annum charged by some of these loan companies, the customer has less to spend in your store in the future.

Is the discriminatory handling given the cash customer when she attempts to make a return the solution to the return goods problem? No! Since stores have been unable or unwilling to distinguish between the proper and improper use of the return privilege with charge customers, the "cracking down" process has been tried on the cash customer. But with what success? Some former cash customers have opened charges, thereby increasing the costs of servicing their business. Others have left department stores and taken their patronage elsewhere. The latter contention was adequately demonstrated in the ensemble survey. Customers are moving around from store to store. Let's stop it!

Credit Careers

Charles W. Hurley

ON SATURDAY EVENING, September 13, the Houston Retail Credit Association honored Mr. Charles Webster Hurley with a Testimonial Dinner in recognition of his 37 years of service as owner and operator of the Houston Retail Credit Exchange. It was a fitting tribute, and most timely, as Mr. Hurley retired from active management of his bureau on July 1, 1941, at which time he designated his son, J. Collier Hurley, as his successor.

Mr. Hurley has occupied a unique position in Houston, where he has been regarded not only as a faithful servant of the public, but as an able and dependable advisor to the merchants and credit men of the community, who consistently have sought his advice and guidance. The affection that is borne Mr. Hurley—"Charlie" to his host of friends—is a tribute to a man whose character, civic, religious and domestic life have been exemplary.

Upon the occasion of the party in Mr. Hurley's honor there were a number of speakers who vied with one another in extolling the virtues of this good man, and if there was anything observable, particularly prominently, it was the fact that no speaker found words adequate to the voicing of sentiments that were obviously felt but not expressible.

More than 350 business associates and intimate friends attended the Testimonial Dinner, and out-of-town guests included L. S. Crowder, General Manager-Treasurer of National Retail Credit Association; Robert A. Ross, Past President of National Retail Credit Association; J. E. R. Chilton, Jr., Past President of Associated Credit Bureaus of America; and G. A. Marbach, Director of the National Retail Credit Association.

E. H. Brown, Shudde Bros., Houston, was General Chairman, and Hon. Neal Pickett, Mayor, gave the invocation. The toastmaster was Henry C. Horne, Cashier, Union National Bank of Houston. Other speakers were: Marley Styner, American General Insurance Co., Fort Worth; Henry Block, Galveston Merchants Association; N. C. Munger, Jr.; A. E. Clarkson; and Rt. Rev. Clinton S. Quin, all of Houston.

Among the many gifts presented to Mr. Hurley were an exquisite Hamilton watch from the Houston Retail Merchants Association, a lifetime silver membership card from the same Association, a gold medallion from employees of the Houston Retail Credit Association, and a silver plaque from the National Retail Credit Association.

It is thankfully observed that Mr. Hurley is in excellent health and physical condition, and there is justifiable assurance that for many years to come he will enjoy leisurely the association with his host of friends, and a retirement well deserved.—*L. L. Meyer.*

"Effect of War"

(*Beginning on page 3*)

The policy which should be followed in financing defense expenditures is to pay for the war as we go insofar as we are able to do so. Pay as much of the war expenditures as we can by increasing taxation. We will not, however, be able to pay all, or the larger part, of the war expenses with current tax receipts. Thus far, only a small part of our defense and lease-lend expenditures have been paid out of current revenues—most of the money to meet these expenditures has been borrowed by the government. Even though the government is now getting more (and is planning to get still more) revenue through taxation, because of the rapid increase in the amount of our war expenditures, only a minor part of those expenditures will be paid out of current revenues.

If Congress passes the three and one-half billion dollar tax bill it now has under consideration, we shall not raise enough revenue to pay the ordinary expenses of the government and as much as 20 per cent of our war expenditures during the next two years. The budget deficit may amount to as much as forty to fifty billions of dollars during the next two years. It would not be possible to raise twenty billions of dollars in additional taxes each year without great injury to our whole economic order. At least, such heavy taxes would involve great readjustments in our way of life. The government, however, should now tax until it hurts. *Income tax rates should be raised still higher, and excess profits taxes should confiscate all war profits. I do not think that anyone should make millions out of this war, and I would put on an excess profits tax that would take all the excess profits.*

Plans to Finance Government Borrowings

There are several ways to finance the borrowings of the government. They should be financed so far as possible out of the current savings of the people—not as we financed the liberty loans by allowing an individual to pay $10.00 down on a $100 bond and borrowing $90 from the bank to pay the balance. What happened frequently in such cases? The individual did not pay the bank the $90 and the bank took over the bond. That is not a sound method of financing a bond issue. The bonds should be paid for out of individuals' past and current savings. Such savings can be accumulated by most individuals only if they spend less and save more of their current incomes. Less individual and family expenditures during this emergency will retard price rises and keep down credit inflation.

Too few of us in the United States have yet realized that this war emergency means sacrifice to each individual. How could the nation pay for the war without personal sacrifice on the part of all? Such sacrifice means that most of us should cut down on our standard of living during the war and save more to purchase government bonds. If we are to keep down an inflation of a destructive nature and finance this war in a sound manner, we must consume less in our living in order to contribute more to our government. We must contribute more to pay for the war and we might just as well do it in a sensible, sane manner by starting with personal sacrifices now.

I think that the member banks of the Federal Reserve System should be very careful in extending loans for non-war purposes, and that the Reconstruction Finance Corporation should be very careful in making capital loans for financing peacetime industry. At this time most of the bank funds of the nation should be reserved for financing war industries and the operation of necessary peacetime activities. It is probable that we shall have, within less than twelve months, a rationing of bank funds, just as we now have priorities on essential materials.

Doubtless we shall have considerable government control over private business activities during this war period, whether we like it or not. Of course, we had some experience in the United States with priorities and price regulation during the last war. The War Industries Board at that time prohibited the use of certain materials for peacetime purposes. If shortages of goods in certain industries developed, the Board established priorities, saying that 95 per cent shall go to the war industries and 5 per cent to the peace industries. We are already doing that now in aluminum and some of the other scarce metals as well as in iron and steel. We probably shall do more of that as time goes on.

The country already has a good deal of price control; maximum prices of aluminum, iron, steel, zinc, timber, and several other products have been set by the government. There is a good deal of opposition to the Administration's price control bill. But it is necessary to give the government sufficient control over price changes if we are to prevent a destructive war boom. Government price control is the only way we can prevent a runaway situation in reference to prices of certain products. A warning was issued by Mr. Henderson's office recently in regard to food products; he stated that the prices of manufactured food products should not go up any more.

Keep Inflation Under Control!

An excess profits tax can never be worked out so it is ideal, but it can provide for refunding to those who are able to prove that they have paid too much, so that no great injustice will be done. We should have an excess profits tax so drastic that no one will be able to make and keep any exceptionally large profits as a result of our national emergency. This is a situation which calls for individual sacrifices, not profiteering.

Let us look at the other side of the question of profiteering. We should provide that no one shall lose one cent of money in producing war goods. If we are going to prevent an industrialist from making excess profits, we should also protect him against losses on war contracts.

I do not expect a repetition of the World War boom of 1917 to 1920. But I do expect that if this war goes on for some two or three years, we shall have higher prices and higher wages and some inflation of credit. Every good citizen, therefore, should work with all others for the purpose of keeping inflation from going too fast and too high. *When we consider the amount of national indebtedness we shall have at the end of this war, as well as the fact that we must readjust our whole economic life again to a peacetime basis, we shall have a very serious time when peace comes without having to liquidate a big war boom.*

The Book Shelf

Proceedings of the Second Biennial Institute on Credit (College of Commerce and Administration, The Ohio State University, Columbus, Ohio, 210 pages) —This book contains all the addresses given at the Institute, November 1, 2, 1940. A valuable addition to any library. The Institute was held in cooperation with the National Retail Credit Association and the National Association of Credit Men. D. D. Bolen represented the N. R. C. A.

Operating Results of Department and Specialty Stores in 1940 (Harvard University, Boston, Mass., 40 pages, $2.50)—In this Bulletin by Malcolm P. McNair, Professor of Marketing, the Bureau of Business Research reports on the margins, expenses, and profits of department stores and departmentized specialty stores for 1940, the twenty-first consecutive year such a study has been made. This analysis is based on 519 reports from companies operating 696 stores, with a total net sales of $1,802,600,000. It is estimated that this figure represents approximately 38 per cent of the total sales of all department stores and departmentized specialty stores in the United States in 1940.

Retail Trade 1939, Types of Operation (Bureau of the Census, Department of Commerce, Washington, D. C., 157 pages, 25 cents)—This report, prepared by Fred A. Gosnell, is one of a series being issued on retail trade, one of the subjects covered by the 1939 Census of Business, and contains data for chain stores, independents, and other types of operation. The tables present data for states and for cities having 500,000 inhabitants or more by kinds of business by types of operation.

Retail Trade 1939, Monthly Employment (Bureau of the Census, Department of Commerce, Washington, D. C., 236 pages, 45 cents)—This report presents monthly employment statistics and data on sex of employees as reported by retail stores and based on results obtained in the 1939 Census of Business.

New York Conference on Installment Selling (James B. McMahon, Jr., Chairman, 45 East 17th St., New York, N. Y., 55 pages, free)—This is a report on the Conference on Installment Selling held in New York in June, 1940. It was participated in by the principals of several prominent establishments in each of the retail trades engaged in installment selling, as well as representatives of social and public agencies and governmental bureaus. The report will be of interest to installment sellers of New York State and those who are engaged in other forms of consumer credit.

Letters To The Editor

"Let me say how much I enjoyed not only the pleasure of meeting many personalities of your splendid organization at the New York convention, but the enthusiastic spirit of cooperation exhibited all along has indeed been refreshing."—R. V. Mitchell, McDonald-Coolidge & Co., Cleveland, Ohio.

* * *

"I wish to thank you for the courtesies shown me at the New York convention and the recognition given me by the National Association. I am receiving The CREDIT WORLD and as usual read it from cover to cover. I thought I appreciated it while in my office but I believe I appreciate it more since I am at home. I expect to continue on a personal membership drive for our National and hope to see you all in New Orleans next year."—Verne A. Zimmerman, (Retired) Treasurer, South Bend Retail Credit Bureau, South Bend, Ind.

* * *

"In my opinion, The CREDIT WORLD is getting better and better each month and reading each issue very carefully is equivalent to a post-graduate course in any man's college."—W. V. Beddow, Credit Manager, Bromberg & Co., Birmingham, Ala.

* * *

"Thank you and your associates for remembering the few who sat in at the conference at Spokane which resulted in the formation of your fine Association by making us honorary members. I am especially pleased that you have taken an active part in preserving the history of the Association. Time will come when others who follow after us will want to know about the beginnings of this important branch of trade and commerce. You have not waited until death has silenced all who have knowledge of the beginnings of this great Association."—William H. Burr, Rochester, N. Y.

* * *

"Many thanks for your letter notifying me that I have been made honorary member of the National Retail Credit Association. It is a great pleasure to me to have this recognition as I spent a good many years at work with the local Credit Association."—W. G. Ramage, Hawkeye Fuel Co., Spokane, Wash.

* * *

"Kindly convey my thanks to the Association for my being made an honorary member. It was about thirty years ago that I had a small part in the important preliminary organization work. The growth has been outstanding and I want to congratulate you on your success as General Manager of this great organization."—H. L. Kingsland, County Assessor, Spokane, Wash.

* * *

"I am indeed appreciative of the fact that I have been named honorary life member of the Association. I have been with Denholm & McKay for the past fifty-five years; fifty-three years as Credit Manager. Please bear in mind that I have not as yet retired."—James Wilson, Credit Manager, Denholm & McKay Co., Worcester, Mass.

* * *

"Permit me to express my great admiration for the fine service The CREDIT WORLD affords. I feel, as head of the charge department of our store, it would be advantageous for me to be a member of the National Retail Credit Association. Kindly enroll me as such."—M. H. Rósemore, Manager, Charge Department, Three Sisters, Chattanooga, Tenn.

* * *

"I want to take this opportunity to express my admiration for the manner in which the National convention was planned and conducted. You and all your coworkers are indeed to be congratulated. This was my first N. R. C. A. convention and I sincerely hope that I may be able to repeat the experience many times."—S. M. Butler, Credit Manager, Schenectady Union-Star, Schenectady, N. Y.

"Regulation"

(Beginning on page 22)

of the sale of such listed article." And it specifically states that the definition applies whether the seller is acting "as principal, agent or broker." It is accordingly clear that the extension of credit here in question is an extension of instalment sale credit, and as such is subject to the down payment requirement.

17. HOUSEHOLD FURNITURE—The classification does not include china dinner sets, stainless steel cooking utensil sets, or silver-plated flatware.

18. HOUSEHOLD ELECTRIC ORGANS—The classification includes electronic instruments and electric action instruments designed for use in homes. It does not include ecclesiastical models the cases of which are specially designed for use in churches or for similar use.

19. RENEWALS, REVISIONS AND CONSOLIDATIONS—In order to clarify the status of renewals, revisions and consolidations (or "add-ons") under Regulation W during the period until November 1, when Sections 8 (a) and 8 (b) on these subjects become effective, certain general principles applicable to such transactions during this period until November 1 are set out below.

1. Any instalment credit which was originally extended before September 1 may be renewed or revised once on or after September 1 on any terms which the registrant would have granted in good faith in the absence of the regulation. In the case of the renewal or revision of a credit which was originally extended on or after September 1, or the renewal or revision of a credit which was originally extended before September 1 but has already been renewed or revised (or consolidated with a new credit) on or after September 1, the credit as renewed or revised may not have a maturity beyond 18 months from the date of the renewal or revision. This 18 months limitation, however, does not apply to a renewal or revision which relates to an obligation of a member of the armed forces of the United States incurred prior to his induction into the service, or which is necessary for the registrant's protection in connection with an obligation which is in default and is the subject of bona fide collection effort by the registrant.

2. The mere act of consolidating two separate obligations, or of "adding-on" one obligation to another, can confer no greater privileges than would apply if the obligations were treated separately. Accordingly, any new extension of credit which would be subject to a down payment requirement if made alone, is subject to the same requirement if consolidated with, or "added-on" to, an outstanding obligation.

3. Similarly, in determining the terms of repayment permissible when an extension of credit is consolidated with, or "added-on" to, an outstanding obligation of the same obligor, it is necessary to consider (a) the terms on which the outstanding obligation could be renewed or revised (for that is what its consolidation may in effect accomplish), and (b) the terms required for the additional extension of credit if it stood alone. The consolidated obligation may not provide for repayment at a slower rate than would have been permissible if the outstanding obligation were revised as

permitted by the regulation and the new credit were extended in accordance with the regulation but the two credits were not consolidated.

4. While Sections 8 (a) and 8 (b) which require a Statement of Necessity in certain cases do not become effective until November 1, Section 8 (g) of the Regulation, which is in full effect beginning September 1, prohibits any extension of instalment credit in connection with which there is any evasive side-agreement for the subsequent renewing or revising of the credit. Therefore, any extension of instalment sale credit or instalment loan credit made on or after September 1 cannot be the subject of any contemporaneous agreement, arrangement or understanding by which renewals or revisions are to be used as a means of evading the requirements of the regulation. Any renewal or revision must be the bona fide result of developments coming after the making of the original extension of credit. Unless it is such a bona fide result of a subsequent development, it is prohibited by Section 8 (g).

20. MECHANICAL REFRIGERATORS—The classification does not include coin operated machines for dispensing beverages or coolers designed for the purpose of holding bottled beverages offered for sale even though they are of less than twelve cubic feet rated capacity.

21. WATER PUMPS—The classification "water pumps designed for household use" includes water system pumps which are either shallow-well or reciprocating deep-well pumps having a rated capacity of 300 gallons per hour or less, or deep-well jet type or centrifugal pumps operated by motors having a rating of ⅓ horsepower or less. The actual use to which the pumps are put does not affect the classification.

22. MECHANICAL REFRIGERATORS—Re ruling number six the classification "mechanical refrigerators" does not include frozen food cabinets designed for the display of frozen foods offered for sale but does include frozen food cabinets designed for the home freezing of foods or for the home storage of frozen foods.

23. AUTOMOBILE TRAILERS, AMBULANCES AND HEARSES—Are not included in any of the classifications of listed articles. Automobile trailers whether designed for use as living quarters or otherwise, or motor vehicles designed for use as ambulances or hearses.

24. GENERAL INTERPRETATION—Inquiries have been received as to whether Regulation W limits the amount of an instalment loan (as distinguished from the maturity of the loan) when the registrant knows the loan is for the purpose of purchasing a listed article but the listed article is not pledged as collateral for the loan.

The answer is that unless an extension of instalment credit is made by the seller of the listed article (whether as principal, agent or broker) as described in Section 2 (d), or unless the extension of instalment credit is secured, or to become secured, by a recently purchased listed article as described in Section 5 (a), the present regulation does not limit the amount of the credit (as distinguished from its maturity) regardless of the lender's knowledge that it is to be used to purchase a listed article.

BAROMETER of *Retail* BUSINESS

Sales and Collection Trends
August, 1941, vs. August, 1940

Compiled by Research Division, National Retail Credit Association

Arthur H. Hert, Research Director

CREDIT SALES increased 15.1 per cent during August; total sales 16.6 per cent; and collections 2.3 per cent, in the United States and Canada, as compared with August, 1940. *These increases were the result of: (1) Back to school buying; (2) Installment Credit Regulation; and (3) Defense program.*

Highlights of the monthly analysis are shown in the tables below:

Highlights for August

41	Cities reporting.
14,378	Retail stores represented.

COLLECTIONS

29	Cities reported increases.
2.3%	Was the average increase for all cities.
20.0%	Was the greatest increase (Las Cruces, N. M.).
2	Cities reported no change.
10	Cities reported decreases.
8.0%	Was the greatest decrease (Grand Rapids, Mich.).

CREDIT SALES

40	Cities reported increases.
15.1%	Was the average increase for all cities.
35.3%	Was the greatest increase (Cincinnati, Ohio).
1	City reported no change (Ada, Okla.).

TOTAL SALES

41	Cities reported increases.
16.6%	Was the average increase for all cities.
35.0%	Was the greatest increase (Jacksonville, Fla., and Toledo, Ohio).

"Taxation"

(Beginning on page 8)

billion out of an income of 27½ billion. The proposal for the year to come in the United Kingdom is for an expenditure of 20 billions of dollars.

In Canada, our neighbor to the north, we are told that expenditures already equal 65 per cent of the national income; 3.3 billion dollars out of 6 billion dollars. When we consider that these nations were spending no more than we were for defense items, just a few months ago, it makes us realize that our future cannot be greatly different. Expenditures for our current budget year ending in June will probably reach 31 per cent of the national income, about 23 billion dollars out of an income of 75 billion. This includes local taxes of about 11 per cent, or 9 billion dollars of the total income. It does not seem at all impossible that our total expenditures would equal half of our national income within a very short period. It may be somewhat encouraging to note that our net income remaining for home consumption after we reach full employment, but with a 50 per cent tax burden, would still exceed the income that we enjoyed in some of the bad years of the depression.

As bad as it looks, this is the brightest picture that I can see. If the war drags out for five years or more, if we delay too long in taking our place, or if England is destroyed, then, of course, our bill of costs will be much greater. If we do not enter the war immediately but must indulge in a long range armament race with Germany, the cost will be beyond imagination, and the capitalistic economy would be doomed. As a purely business proposition, delay is the most expensive thing in which we can indulge.

The application of this lesson in tax policy to credit practices is obvious. Fortunately, America is a very wealthy nation. Her debt is not as heavy as the debt of most of the other nations of the world and, consequently, it can and undoubtedly will absorb some of the heavy cost of defense spending through direct government borrowing. While that is being done, credit executives will have an opportunity to adjust their practices to the conditions which are bound to follow. It seems to me that this is an excellent time for retail credit granters to begin a sane policy of retrenchment. Regulations have already been issued by the Federal Reserve Board restricting consumer installment credit. All types of credit will, of course, be similarly affected. Credit executives who take a realistic attitude toward their work will encourage shorter terms—more manageable debt for their customers, and a curtailment of commitments. This does not mean that the far-seeing credit man will lose his share of business because the inevitable decrease in consumption of civilian goods will necessarily reduce his volume at the peak of the war effort. The credit executive who has his credit policies under control will at that time be best able to serve his customers and his company.

We are looking forward to a new experience. The American people have not had "to take it." Nevertheless, I am confident that they will be able to do so. They may have been badly spoiled, but they are still at heart the same courageous and patriotic lot that they have always been. It may even be that adversity will draw them closer together.

America Has More to Fight For

Our nation has more to fight for than any nation in the world. Because of the many great political and economic benefits our country gives us, I am sure no one would want to compromise with Hitler and his philosophy to join his "new order." We are easily the strongest nation in the world. We have developed our excellent social philosophy, and in spite of our experiences of the last few years, we have the most effective economy in the world. No matter what the cost of this world adjustment may be to us, we will be relatively better off than any other nation. After it is all over, we will have suffered less, and will have more left to enjoy than any other peoples.

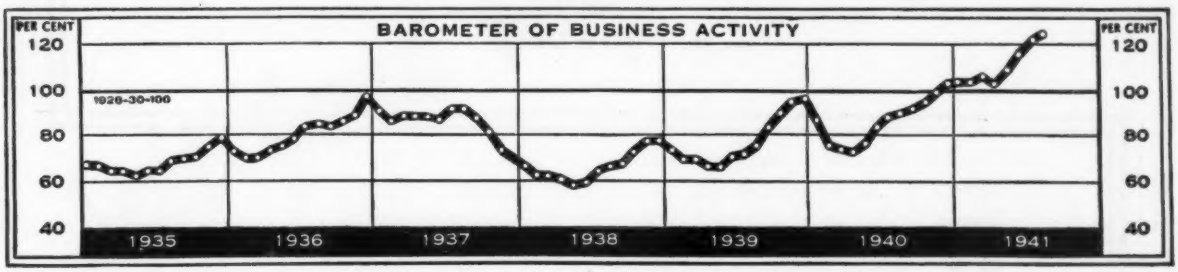
All of this means that we have a definite responsibility. We really represent the last opportunity of civilization, and the capitalistic system that we all want to keep. If we fail to accept our responsibility, there can be no doubt but that the world will lapse into another dark age. It will be well for us to know that totalitarianism has definitely cut loose from all of the standards that we understand in the United States. It is not a genuine "new order." It is no rose-colored "wave of the future." It is simply a return to brutal savagery. The totalitarian philosophy goes back to that point before the industrial revolution, when the chief business of the world was warfare. The totalitarian nations have definitely discarded the philosophy of living at peace with an industrial economy. They have deliberately resorted to the banditry of pre-business days.

We have a problem to face that is quite definite. No matter what the cost may be now, and it will be greater the longer we delay, it is our responsibility to take on the job of building and paying for a great war machine. At some time in the future, when we have accepted this responsibility, we must plan that such disturbances as this brutal and savage lapse into barbarism shall never occur again. *At the moment our principal job is to preserve our democratic processes and our capitalistic economy, both of which are essential to our happiness in the United States.*

Current Business Conditions

The Barometer

The Barometer recorded a further new high in August. However, with limitation of capacity and material shortages developing in many lines, the rate of advance was considerably slower than in the three preceding months.



This barometer appears in the October issue of "Nation's Business," published by the United States Chamber of Commerce.

The Map

Both trade and industry are steadily increasing, and in many districts the gains over last year are becoming even greater than they have been in recent months. The average increase over a year ago is 30 per cent, but in several districts the advance has been much more.

In the industrial centers of the East and around the Great Lakes, the defense program and Government buying of military supplies are the major factors in stimulating production. The trend is much the same as it has been for many months and as it is likely to be for some time yet. Larger pay rolls in industry have been followed by much greater volume of sales in retail stores.

In the South and Southwest, business has also been forging ahead at almost the same pace. In some sections, retail trade has advanced even more than has the production of goods. Textile mills have been unusually active, and the consumption of cotton is close to the highest on record.

Conditions in the agricultural sections of the Middle West are steadily improving and, if present trends continue, will soon be as favorable as in other parts of the country. Both higher prices and larger crops are adding to farm income. The greater purchasing power has already boosted retail trade, and merchants in rural areas report the best volume of sales in many years.

Demand for minerals and metals has speeded up operations in the Mountain states, but the increase has not been quite so great as in other lines and in other regions. The effect of expanding production and larger pay rolls will probably be more evident in a few months.

Along the West Coast, both trade and industry have been expanding rapidly. The increase has been somewhat greater in the South than it has in the Northern states, but the difference is not great.

In Canada the trends in industry, trade, and agriculture have been about the same as they have been in the United States. Industry continues to expand, and at the present time from 25 to 30 per cent more goods are being turned out than a year ago.

Again — *Control*

L. S. CROWDER

The action of the government, through the Federal Reserve System, in adopting installment credit terms on certain classes of merchandise will have a beneficial effect on that type of business. While Regulation W of the Federal Reserve Board, which became effective September 1, 1941, will not control credit it will eliminate the practice and tendency, which had grown in recent years, to build sales at the expense of sound credit. The terms are eminently fair and while there will, no doubt, be a decrease in installment sales it will be due to the inability of the retailer to obtain wanted merchandise in the quantities required.

To eliminate the possibility of inflation and to encourage the consumer to purchase defense savings stamps and bonds, as desired by the government, it will be necessary to *curb overbuying on the monthly charge account as well as the installment account.* The pyramiding of credit, in the past, has resulted in higher credit losses and increased expenses. While it is realized that the installment regulations will not prevent overbuying on the part of customers so inclined, the *control is in the hands of every credit granter.*

Credit control requires the cooperation of all credit granters and the following steps are necessary:

1. Take a complete application and if an installment purchase is contemplated, ascertain from the applicant the amount owed on installment accounts and names of the firms.
2. Obtain a complete report from your credit bureau, having all references checked, in an effort to uncover any indebtedness not listed by the applicant.
3. Have a definite understanding with the customer regarding payment of the account and explain as clearly as possible your credit policy.
4. Follow-up accounts for prompt payment; the monthly charge account by the 15th of the month following purchase and the installment account within 3 to 5 days following due date.

Such a credit policy in the present emergency will prevent the customer from incurring a burdensome indebtedness, which because of decreased earning power might not be paid promptly when conditions are normal, and it will assure highly liquid receivables for the retailer.

The following is from a letter received recently from the Vice-President of an apparel store, the business of which is largely installment:

> I feel that unless all retail businesses selling soft goods, jewelry, etc., immediately curb extended credit term advertising, that it will be only a question of time until the government steps in and regulates all lines of merchandise, regardless of whether they might be construed as necessities or otherwise.

That store has already adopted a policy of substantially larger down payments and the maximum time has been greatly reduced.

Every credit granter should so conduct his business that there will be no necessity for further regulation by the government, and the terms covered in Regulation W will not have to be adjusted, calling for larger down payments and shorter time.

Sound business judgment and cooperation are necessary and will produce the desired results.